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Exclusive extracts from his new book start tomorrow

WORLD NEWS

FBI to evaluate inquiry into N Ireland murder

The US Federal Bureau of Investigation was called in to certify the independence of the investigation by the Northern Ireland police into Monday's car bomb murder of the lawyer Rosemary Nelson. Some nationalists have charged that there was official collusion in the murder. **Britain, Page 8**

Serbia peace demands rejected
International mediators rejected Serbia's bid to make big political changes in the draft peace accord for Kosovo, and warned "the moment of truth" was near for Belgrade to allow foreign peacekeeping troops on its soil.

N Korea agrees to nuclear probe
North Korea has agreed to give UN inspectors access to a suspected nuclear weapons site. US Secretary of State Madeleine Albright approved the New York agreement, which will permit several inspections. **Asia, Page 6**

Virtue threat to Turk government
Turkey's Islamist Virtue party threatened to topple the government and throw the country into political turmoil unless secularist parties helped it lift a ban on its former leader before elections. **Europe, Page 4**

Three Gorges dam faces shortfall
China's Three Gorges dam – the world's largest civil engineering project – faces a Rmb25bn ($3bn) shortfall for the crucial second phase of construction. **Page 14; Zhu's popularity tested, Page 6**

Japan urged to deal with Y2K
Western banks are urging the Japanese government to slow financial market reforms this year to give banks and brokers more time to deal with millennium bomb problems. **Page 14**

Israel pledges to hold Jerusalem
Israeli foreign minister Ariel Sharon said a 1947 United Nations resolution that placed Jerusalem under a special international regime was "null and void" and that the city "will stay forever the capital of the Jewish people." **International, Page 7**

US and Israel in defence ventures
The US and Israel agreed to invest in joint high technology ventures, which would include the development of defence technology for civilian purposes. **World trade, Page 4**

WTO urged to start fishing talks
Environmental groups called on the World Trade Organisation to carry out environmental assessments of trade liberalisation and initiate talks on eliminating environmentally harmful fishing subsidies. **World trade, Page 4**

Forbes joins presidency race
Publisher Steve Forbes made a high-tech entry into the Republican race for the US presidency, launching his candidacy on the internet. **US, Page 5**

BUSINESS NEWS

Goldman Sachs' partners to own half new company

Goldman Sachs' 221 partners will own nearly half the company following the investment bank's initial public offering, which is due in the next three months. Stakes will range from around $20m to around $200m. **Companies and Markets, Page 15; Lex, Page 14; Lucky timing, Page 18**

Hoechst, the German pharmaceuticals group, brought forward its merger with France's Rhône-Poulenc in an effort to secure the backing of Kuwait Petroleum Corporation, its largest shareholder. The planned merger would create a life sciences company with $20bn in sales and 95,000 employees. **Companies and Markets, Page 15**

Deutsche Telekom chairman Ron Sommer highlighted his determination to expand the group's international activities, hinting at possible acquisitions in the UK. **European companies, Page 16**

The Czech competition authorities approved the merger of the country's two biggest brewers, Plzensky Prazdoj and Radegast, in a decision that paves the way for the creation of central Europe's biggest brewer. **European companies, page 17**

France's stock market regulator, the Conseil des Marchés Financiers, was meeting to rule on whether Banque Nationale de Paris's unprecedented bids for its rivals, Paribas and Société Générale, are acceptable. **European companies, page 17**

Denso, Japanese car components maker, has spent (€134.3m, to purchase a majority stake in the rotating machines division of Magneti Marelli, the Italian components company affiliated with Fiat. **Asia-Pacific, Page 20**

Vodafone, the UK mobile phone company, secured a $13bn syndicated loan as part of its $62bn takeover of Airtouch, the US company, in one of the largest debt packages every agreed by a European company. **Companies and Markets, Page 15**

Gold bullion fell 3.5 per cent to $283 per ounce after US president Bill Clinton joined calls for the IMF to sell gold to help developing countries. **Commodities, Page 26**

Swiss life science company Novartis warned of a difficult year ahead in spite of reporting pre-tax profits up 16 per cent to $4.12bn. **European companies, Page 16**

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.
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MILESTONE GREETED BY MUTED CHEERS ON WALL STREET ● LATEST RISE EXPECTED TO DRIVE SHARE PRICES HIGHER

Dow Jones breaks 10,000 mark

By Richard Waters, John Labate and Andrew Edgecliffe-Johnson in New York

To muted cheering on the floor of the New York Exchange, the US stock market passed an historic milestone yesterday – and many traders and investors said the rise was set to continue.

The Dow Jones Industrial Average, the most widely-followed measure of US share prices, rose briefly above 10,000 during morning trading in New York, only 15 years after it first reached 1,000. It had taken 86 years to get from 100 to 1,000.

After the breathless media anticipation that had accompanied the Dow's rise towards the latest landmark, the breakthrough into five digits came as something of an anti-climax on the trading floor.

"It's just a number," said Theodore Weisberg, a white-haired trader who took a moment off to bask in the unseasonal sunshine bathing the sidewalk outside the NYSE's Manhattan home.

"When I started, I remember the Dow at 580: breaking through 1,000 was a big deal," said Mr Weisberg.

Despite the subdued mood among traders, the event was generally expected to prompt further buying of US shares, particularly from the millions of ordinary Americans whose investments in mutual funds or directly in stocks has accounted for much of the market's rise in the 1990s.

"There is probably enough exuberance and cash to drive another spike [in share prices]," said Bill Meehan, chief market analyst at stockbrokers Cantor Fitzgerald.

Others warned that any euphoria following the Dow's latest milestone might fuel what many observers fear are unsustainably high share prices. "If anything, it might create a false sense of security, like the tail wagging the dog," said Mr Weisberg.

The stock market's latest rise suggests that many investors have shaken off the concerns of the past 18 months that accompanied Asia's economic crisis, Russia's unexpected financial implosion and Brazil's currency collapse. These events have served, if anything, to boost share prices further, since they have exerted a drag on the US economy's headlong growth and so reduced the threat of higher interest rates.

Meanwhile, at least some on Wall Street were happy to bask in the attention that the soaring stock market has brought – among them Ralph Acampora, chief technical analyst at Prudential Securities and one of the first to predict, in the mid-1990s, that the market could reach 10,000 before the end of the decade.

Proclaiming the rise in share prices since last autumn to signal "a new bull market", Mr Acampora said the US could be at the beginning of a 12-15 year "mega-market", similar to the booms that followed the first and second world wars.

For others, though, the attention that a Dow 10,000 has attracted had already been overdone. The media attention has been "like Monica Lewinsky – maybe now it will go away", said Larry Wachtel at Prudential Securities.

The latest jump in share prices has been aided by an easing of fears that the Federal Reserve would soon be forced to raise interest rates to prevent an overheating of the US economy. Long-term bond yields fell back below 5.5 per cent yesterday, after a bout of concern that a consumer boom was lifting the economic growth rate to an unsustainable level.

By early afternoon in New York, the Dow had fallen back to 9,964.04, a rise of 5.27 on the day. The Standard&Poor's 500 was also at a record high, rising 1.03 to 1,244.95, while the Nasdaq composite, which has recorded the biggest gains during the bull market, stood at 2,433.12, about 90 points from a record.

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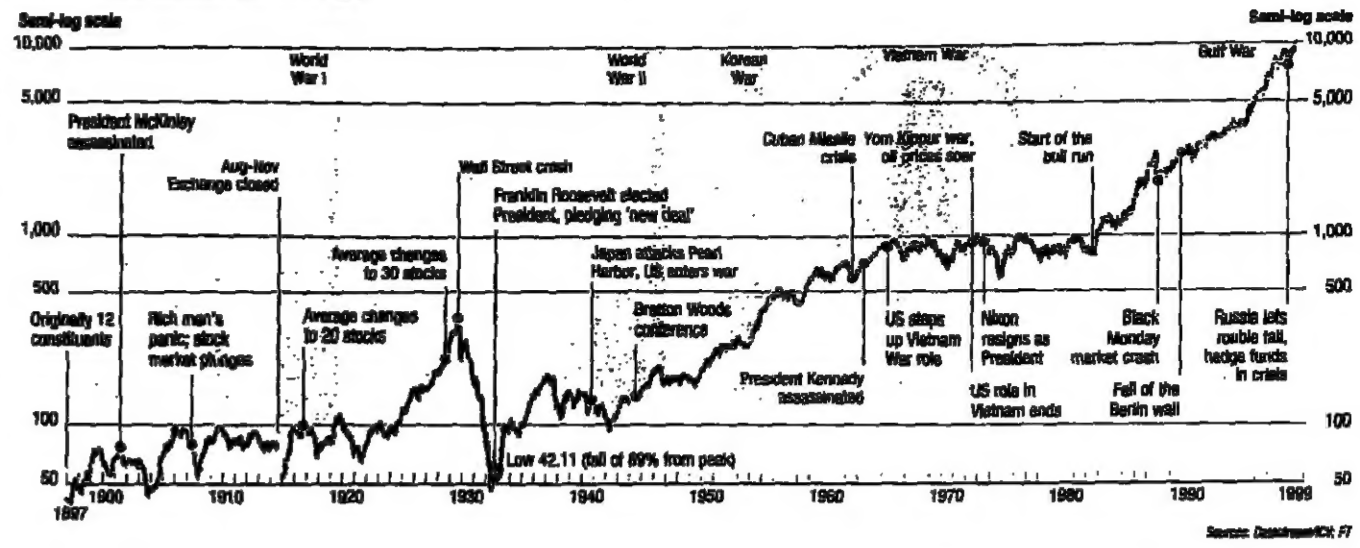
Dow Jones Industrial Average



Source: Datastream/ICV; FT

Santer under pressure to step down soon

By Michael Smith, Peter Norman and Emma Tucker in Brussels

Defiant European Commission chief attacks damning report

European Commission president Jacques Santer is under growing pressure to step down quickly after he and his 19 colleagues in the EU executive resigned in response to a damning critique of their administration.

"The president should leave as soon as reasonably and practically possible and a new president should take his place," said Tony Blair, UK prime minister.

But Germany, the holder of the EU's rotating presidency, said later that the commissioners would stay in office until replacements were found. José María Gil-Robles, president of the European Parliament which ordered the report, said the commissioners should be replaced by May. "They must leave now and not in nine months time," he said. "No one would expect a government that lost confidence to stay in office that long."

He was speaking after a day of heavy drama, in which a defiant Mr Santer attacked the report by five independent experts which led to the commission's mass resignation early yesterday and the biggest constitutional crisis in the EU's leadership in its 42-year history. Mr Santer said the conclusions of the report were "shocking" and "distorted" as they tarnished the entire commission based on just six cases of "irregularities".

The report accused the commissioners of losing control of the administration they were "supposedly running" and failing to take responsibility for their actions. Edith Cresson, French commissioner in charge of research and finance, was singled out for particular criticism for appointing a friend to a lucrative EU post. Further damaging disclosures are expected from a second committee report thought to focus on malpractice below commissioner level.

Gerhard Schröder, the German chancellor, said the commission's resignation added urgency to the need to complete at a Berlin summit next week a package of budget reforms aimed at allowing the EU to enlarge into eastern Europe.

"It is now more important that Europe makes clear it can act decisively," he said. Mr Schröder has been warning for months that inability to reach a deal in the so-called Agenda 2000 negotiations could affect the euro.

France also called for a stronger executive, with fewer commissioners, and insisted EU enlargement should be delayed until reforms were agreed.

Speculation on a successor to Mr Santer centred on Javier Solana, secretary-general of Nato, and Romano Prodi, former Italian prime minister. Another possibility is that one of Mr Santer's commissioner colleagues be put forward for an interim presidency lasting until January.

Further reports, Pages 2 and 3
Europe in deadlock and Editorial Comment, Page 13

Renault seeks 35% stake in Nissan

By David Owen in Paris and Alexandra Harney in Tokyo

Renault, the French carmaker, said last night it was prepared to start exclusive negotiations with Nissan Motor on an alliance that would see it take a 35 per cent stake in the Japanese group's capital.

In a brief press release, the partly state-owned group said it was "now convinced of the merits of a strategic alliance" between the two groups, in what would be the latest example of consolidation in the sector.

It was offering "without delay" to start exclusive negotiations with the Japanese company on the conditions of an alliance. These included "in particular the acquisition by Renault of an equity stake in the capital of Nissan representing an interest of approximately 35 per cent".

Nissan immediately said it was accepting Renault's offer of exclusive negotiations. The announcement gave no indication of the cost to Renault should a deal be consummated, although trade union sources said the figure was estimated at FFr32bn (€4.9bn, $5.3bn).

It would likely be the largest single investment by an overseas company in a Japanese carmaker. A decision on whether the deal is to proceed is expected by the end of the month.

A 35 per cent stake should be big enough to give Renault considerable management control and small enough to avoid consolidating the Japanese group's heavy debt load. Under Japanese corporate law, a 33.4 per cent holding gives a shareholder veto power on the board of directors.

Nissan has been under pressure to find new sources of funding to reduce its debt load. Talks between the Japanese company and DaimlerChrysler collapsed last week.

For Renault, a tie-up would mark a giant step in attempts to make the group more international. Last year, only 330,000 of its record 2.13m car and light commercial vehicle sales came outside western Europe.

People familiar with the plans said a deal would include a direct investment by Renault in Nissan Diesel, Nissan's 39.8 per cent-owned truck and engine unit, but that this would account for a "very limited amount of money".

Nissan is being advised by Salomon Smith Barney and Renault by Merrill Lynch.

Renault prepares to carry Nissan's heavy debt, Page 17

WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	9,938.79	(-19.96)
NASDAQ Composite	2,438.06	(+6.62)
Europe and Far East		
CAC40	4,186.35	(+1.23)
DAX	5,094.634	(+55.39)
FTSE 100	6,201.9	(-4.9)
FTSE Eurotop 300	1,255.25	(+3.24)
Nikkei	16,072.62	(+293.22)
US LUNCHTIME RATES		
Federal Funds	4.75%	
3-mth Treas Bills: Yld	4.57%	
Long Bond	98$\frac{3}{32}$	
Yield	5.48%	
OTHER RATES		
UK: 3-mo Interbank	5$\frac{1}{16}$%	(same)
UK: 10 yr Gilt	110.74	(110.79)
Euro Euribor	3.036%	(3.039%)
Germany: 10 yr Bund	98.15	(98.15)
Japan: 10 yr JGB	100.047	(same)
NORTH SEA OIL (Argus)		
Brent Dated	$12.47	(12.42)

GOLD		
New York: Comex		
(Mar)	$283.2	(288.8)
London:	$282.75	(289.85
DOLLAR		
New York: lunchtime		
£	1.6245	(1.6233)
€	0.9114	
SFr	1.4643	
Y	117.815	
London:		
£	1.6243	(1.6217)
€	0.9167	(0.9137)
SFr	1.4662	(1.463)
Y	117.67	(118.065)
Tokyo close:		Y 117.88
EURO (London)		
$	1.0909	(1.0944)
£	0.6715	(0.6748)
Y	128.579	(129.21)
SFr	1.5984	(1.6011)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr18.00	Latvia	Ls1.65	South Africa	R18
Estonia	EK34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	FM12.00(€2.02)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din3.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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EUROPEAN COMMISSION HUNT IS ON TO FIND REPLACEMENT FOR JACQUES SANTER AFTER FRAUD REPORT FORCES MASS RESIGNATION

President maintains he is 'whiter than white'

By Michael Smith in Brussels and Quentin Peel in London

Jacques Santer, European Commission president, yesterday declared himself "whiter than white", dismissing the conclusions of the report on fraud in the EU executive that had forced him to resign.

In an extraordinary performance before the press, Mr Santer said neither he nor his 19 fellow commissioners who run the European Union executive could accept responsibility for the fraud, irregularities and mismanagement described in the report.

He called the "tone" of the report "wholly unjustified", adding: "I do not accept that four years of work, during which the Commission has achieved its full policy programme, can be reduced to six cases of irregularity".

But Mr Santer's defiance is likely to do little to abate pressure on him to go quickly and for good. Members of the European Parliament, who commissioned the report by five independent experts, made clear yesterday that although they may accept the re-appointment of some commissioners, they would resist the return of Mr Santer.

Parliamentary leaders also said they expected his successor to serve initially only until January, after which they would consider his or her re-appointment for a further term of office.

Speculation over who should succeed Mr Santer switched into overdrive yesterday. Romani Prodi, the former Italian prime minister, and Javier Solana, the secretary-general of Nato, are widely seen as joint favourites for the job. Both come from the left, and both from the south of the EU, two qualifications seen as necessary in the current political climate.

However, the EU heads of government must first decide if they want to appoint an interim president to bridge the gap until a new permanent Commission can be installed at the end of the year. If they choose that option, then the possibilities are to choose an unscathed member of the present Commission, such as Sir Leon Brittan, the British vice-president, or Mario Monti, the senior Italian commissioner; to recall a former top-level commissioner, such as Peter Sutherland, of Ireland, Etienne Davignon, of Belgium, or even Jacques Delors, the last president; or to go right outside the ranks of Brussels and choose a distinguished judge, or an elder statesman such as Helmut Kohl, the former German chancellor.

By choosing a permanent president now, the heads of government would be providing long-term stability, and avoid having to take two difficult decisions in one year. Mr Prodi has long been seen as a front-runner, and is strongly supported by Massimo d'Alema, the Italian prime minister, not least to distance a potential rival in domestic politics.

Mr Solana has earned warm praise for his term as Nato secretary-general for his diplomatic and administrative skills. He has presided over the enlargement process to the east, as he would have to at the European Commission. Although he is a Socialist, the conservative Spanish government would support his candidacy. Other possible contenders include António Guterres, the Portuguese prime minister, and Giuliano Amato, another former Italian premier.

All the candidates for interim president suffer disadvantages. Sir Leon suffers from hostility in Paris for his free trade views and joint responsibility for the lax management criticised in the independent experts' report.

Speaking yesterday, Mr Santer noted with considerable satisfaction that the report's comments about him personally gave him the necessary dignity and credibility to continue his job until a new Commission was appointed. He would not be drawn on whether he would be a candidate.

Editorial comment and feature, Page 13

Concern over EU and US trade ties

By Guy de Jonquières

The mass resignation of commissioners has left the bridge deserted just when skilful political helmsmanship is needed in Brussels to avoid a serious deterioration in trade relations between the European Union and the US.

The two sides are on the brink of a trade war over banana imports and appear headed for conflicts over the EU's ban on hormone-treated beef and proposed rules for reducing aircraft noise.

Unless these disputes are settled in the next few weeks, they risk inflicting lasting damage on US-EU ties and undermining their efforts to exercise joint leadership in the run-up to a global trade liberalisation round.

In public, US and EU officials insisted yesterday the upheavals in Brussels would not distract from the search for solutions.

But in private, some were less sanguine.

"These problems cannot be settled by regular negotiators," said one EU official. "They require high-level political agreement, which will be much harder to find if there is paralysis in Brussels for any length of time."

Another warned that a power vacuum could allow advocates of a hard EU line towards the US to gain the upper hand, making compromises still more difficult to achieve.

"The bananas dispute, in particular, could become very tricky very fast," he said.

Some US officials drew consolation from the expectation that Sir Leon Brittan would be reappointed as EU trade commissioner. Although not universally popular in Washington, Sir Leon is respected as an astute deal-maker and a safe pair of hands.

But Dan Tarullo, a former senior White House adviser on international economic policy, said hopes of solving the disputes would hinge on the Commission's ability to rapidly re-establish authority as an institution.

"Whatever deals can be struck will probably be less than satisfactory to all parties concerned. The task for the negotiators would be to make them stick by selling them to influential constituencies at home.

"If I were still a US government official, I would be sceptical about whether a weakened European Commission could do that," he said.

EXECUTIVE REACTION NONE OF THE 20 STRONG COLLEGE DEMURRED WHEN IT BECAME CLEAR THE CONSENSUS WAS TO STAND DOWN

Commissioners resigned to their fate

By Emma Tucker in Brussels

There was something unfamiliar about the European Commission's Breydel headquarters late on Monday night. From top to bottom its windows were ablaze. Commission officials, famous for their long lunches and civilised working hours, were burning the midnight oil.

Up on the building's 12th floor, the most tumultuous event in the 40 year history of the EU's executive was unfolding.

Seated around their large oval table, the 20-man and woman "college" of commissioners were going through the routine – so familiar to those who work in Europe's bureaucracy – of a tour de table. Each person took his or her turn to give their views on what should be done.

Jacques Santer: called the tone of the report 'wholly unjustified'

Just hours earlier, the commissioners had been presented with the merciless conclusions of a report into fraud, mismanagement and nepotism within the ranks of the Commission. Its conclusions were unequivocal and much worse than expected, so bad, in fact, that not one of the 20 demurred from that evening's conclusion – mass resignation.

Earlier each commissioner had seen President Jacques Santer, said to be reeling from the strength of the report's conclusions, which had not been revealed to him on Sunday when he was given an advance copy of the report itself.

Sir Leon Brittan, vice-president of the Commission, was first in to the room, followed by Erkki Liikanen, Hans Van Den Broek, Neil Kinnock and the rest, allowing Mr Santer to test the water. He also spent time on the telephone with Jacques Chirac, the French president and Lionel Jospin, the French prime minister.

Mr Van Den Broek, barely mentioned in the report, left his tête à tête for the pizzeria opposite the Commission, where the frantic Italian owner was cursing customers for not having alerted him to the night's dramatic events. There was a run on pizzas and he had run out.

At 10pm Mr Van Den Broek headed back to the 12th floor where the Commission meeting began, only to be interrupted half an hour later with the news that Pauline Green, leader of the parliament's dominant socialist group, had called for all their heads to roll.

If any had harboured hopes that the Commission could limp on, Ms Green had extinguished it. At midnight, Mr Santer descended to the throbbing press room to inform Europe that he and his colleagues would step down.

It was only yesterday morning that individual reactions began to seep out. These ranged from Sir Leon's "disaster" to the surprisingly rosy gloss put on events by Edith Cresson, the French commissioner for education and research and the person most savaged in the document. Never one to roll over quietly, Mrs Cresson said being a commissioner had been "an enriching experience". And, echoing the French singer Edith Piaf: "I have no regrets."

Blair urges deep reforms

By Robert Peston, Political Editor

Tony Blair, the UK prime minister, yesterday called for "root and branch reform of Europe" and pushed the longstanding British case for radical overhaul of the Brussels bureaucratic machine.

In an emergency statement to the House of Commons, the British parliament, the prime minister said a permanent replacement for Jacques Santer as Commission president should be found as "soon as reasonably and practically possible".

Mr Blair also called for a five-pronged reconstruction of the Commission's operating structure, which would include tighter auditing procedures, a new financial management system, more efficient procedures for awarding contracts, a less ambiguous disciplinary procedure and an improved system of accountability.

There was a requirement for the appointment of an "independent fraud investigation office which has full access to documents and officials", he said.

These proposals for Commission reform were contained in a paper prepared by the UK Cabinet Office for discussion by Mr Blair in his meeting yesterday afternoon with the German premier, Gerhard Schröder. An official said it was a coincidence that the paper had been completed at the time of the Brussels crisis.

Mr Blair sees the debacle as providing an opportunity to build up support for the UK's programme of broad political and economic reform. "This is the moment at which we decide whether to leave Europe as it is, or make the real reforms necessary for the future", he said.

But the prime minister who took the UK into the EU, Sir Edward Heath, sounded a note of warning. "He should be aware of the danger of giving the impression that Britain wants to run everything", said Sir Edward. The Foreign Office was also concerned that the prime minister should not be seen to be too aggressive in exploiting the turmoil to push through the UK's economic agenda, fearing it could backfire.

Mr Blair's spokesman said it was possible the appointment of a permanent replacement for Mr Santer could be made at next week's European Union summit in Berlin, but it depended on how quickly an outstanding candidate emerged.

He would not be drawn on whether Mr Blair had an individual in mind, but said that "some people who had ruled themselves out may now become available".

Earlier this year, Mr Blair signalled enthusiasm for Wim Kok, Dutch prime minister, and Antonio Guterres, the Portuguese prime minister, as possible presidents and was disappointed when they ruled themselves out of the running. He has also made public statements giving strong support for the candidacy of Romano Prodi, the former Italian premier.

Mr Blair said that "merit and merit alone should decide" who was given senior European jobs, but he also rejected any dilution in his personal power of patronage over the appointment of the UK's two commissioners.

The UK's existing commissioners, Sir Leon Brittan and Neil Kinnock, had "played a key role in bringing this crisis to a head", he said, and should serve out their terms.

AGENDA 2000 BONN CONFIDENT OF DEAL

Reform plan 'still on course'

By Haig Simonian in Bonn

The German government yesterday shrugged off the suprise resignation of the Commission and said the EU's ambitious Agenda 2000 reform programme remained on course.

Joschka Fischer, foreign minister, said the resignation would not derail the chances of agreement at next week's Berlin summit, called to discuss the Agenda 2000 blueprint for reforming the EU's finances, agriculture and regional policies. He argued the Commission's preparatory role had been largely fulfilled and the outstanding issues for Berlin were now mainly political. "It's up to the heads of state or government now. At the present time, I believe Agenda 2000 can be resolved." He said there was already "light at the end of the tunnel" on farm prices and regional aid.

Although consensus was still missing on revising EU contributions "a feasible compromise is now in sight". Mr Fischer argued the Commission's move had intensified the need for agreement in Berlin to minimise the risk of a public backlash against European integration or EU institutions.

Officials said Gerhard Schröder, Germany's chancellor, touring European capitals to drum up consensus before the summit, would also canvas views on interim candidates to replace Jacques Santer, the Commission president, and the current commissioners.

The officials said the issue of replacements would be raised in Berlin, and a final list of candidates might even be agreed for submission to the European Parliament for approval. The Commission's mass resignation is the latest setback for Mr Schröder in the run up to a crucial summit which Bonn had hoped would highlight Germany's greater confidence in the EU and Berlin's role as the country's new capital. The government also hopes the meeting will boost its political standing at home by approving a cut in Germany's EU budget contributions.

● The German cabinet yesterday approved revised nationality laws allowing German-born children of foreign nationals the right to German citizenship. The offspring cannot, however, retain dual nationality and must choose between German or their original nationality by the age of 23.

RELIEF AND PRIDE IN ITALY LITTLE SYMPATHY IN PARIS FOR CRESSON

France puts on a brave face while Madrid counts the cost

By Robert Graham in Paris, David White in Madrid and James Blitz in Rome

France yesterday put a brave face on embarrassment caused by the conclusions of Monday's EU fraud report and called for reform of the institutional structure of Brussels.

At the same time Paris urged its EU partners to reach quick agreement on how best to ensure the continuity of the Commission following Monday's mass resignation of the commissioners along with its president, Jacques Santer.

With the report's strongest direct criticism levelled at Edith Cresson, the French commissioner for education and research and a former Socialist prime minister the French authorities avoided any direct comment on her behaviour. Instead the government sought to deflect the debate from personalities in the EU Commission and towards French proposals for making the Commission work better and more transparently.

"The conclusions and recommendations in the wise men's report highlight the need to reform Europe's institutions which France has consistently demanded," a French foreign ministry spokesman said, adding that he hoped French proposals for reform would be discussed at the EU summit in Cologne in June.

A similar line was taken by Lionel Jospin, prime minister, during question time in parliament. Mr Jospin said the mass resignation was a necessary response to the experts' report.

Both he and President Jacques Chirac spoke by telephone with Mr Santer on Monday before the Commission met. They are understood to have made clear that as the Commission was a "collegial body" it would be unacceptable if Mrs Cresson were made a scapegoat.

Since the scandal broke the French government has steered a neutral path. There has been little sympathy for Mrs Cresson, who is linked to the discredited final years of the Mitterrand era.

Both Mr Chirac and Mr Jospin, however, have been anxious to prevent her plight being turned into a witch-hunt against the long dominant French influence in Brussels. This consideration became all the more important on Monday after the report also took to task Jacques Delors, the former EU Commission head, for failing to impose adequate controls on the EU bureaucracy.

In Madrid, meanwhile, the European Commission's resignation dealt a heavy blow to the Spanish government, which was counting on the executive body as its main ally in its battle to preserve Spain's claims on EU grants in the midst of the "Agenda 2000" negotiations on overhauling EU finances before enlargement to the east.

The government said it was in Spain's interest that the Santer team should stay in place in a caretaker capacity as long as possible.

At the same time, the government found itself on the defensive after surprise criticism in the independent experts' report against Abel Matutes, Spanish foreign minister and former commissioner.

The report largely cleared Mr Manuel Marín, Spanish vice-president of the Commission, over irregularities in EU's Med programme for countries of the southern Mediterranean. But it said: "The commissioner previously in charge seems to bear much more clear-cut and much greater responsibility." This was Mr Matutes, who handed over the portfolio to Mr Marín at the end of 1992.

In Italy, there was relief that the country's two commissioners – Mario Monti and Emma Bonino – had been cleared of any wrongdoing after years in which domestic corruption scandals have put the Roman political establishment in a bad light.

Massimo D'Alema, prime minister, went out of his way to congratulate both commissioners on the news that the report had given their work in Brussels a clean bill of health.

EUROPEAN PARLIAMENT SHIFT IN BALANCE OF POWER

New role of president-breaker

By Michael Smith in Brussels

The European Parliament was yesterday basking in its unaccustomed role of president-breaker, and in the knowledge that the European Commission and the governments of the European Union's 15-member states are going to have to get used to sharing more power with it.

Pauline Green, leader of the European socialist group, the largest in parliament, said the events of the last few days represented a "real shift" in the balance of power in the EU.

Others spoke in terms of "victory", while Pat Cox, leader of the European Liberals, said: "Parliament has asserted a consciousness about being an equal among equals and is no longer willing to accept the status of junior partner."

This is, in part, due to the sudden publicity the parliament has drawn in its long, and now successful, struggle with the Commission of Jacques Santer, the president. But parliament's new confidence also has more solid, legal foundations.

After May, when the 1997 Amsterdam Treaty is likely to come into force, parliament will have acquired greater authority over legislation and the legal power to veto the appointment of a Commission president. Yesterday, France was the last country to ratify the treaty by a vote of 271 to 41.

Parliamentary leaders made clear yesterday that, although they wanted a new, temporary president and Commission in place quickly they would expect to be able to reject candidates who failed to match their expectations.

This week's events should also add sparkle to elections for a new parliament set for June. In at least some countries Euro-parliamentary elections have attracted limited attention, but this time candidates will be able to claim the polls can make a difference to how the EU is run. However, there could yet be a downside for parliamentarians in their removal of the Commission. In shining such a bright light on the EU executive's shortcomings, they may well attract some unwelcome attention to themselves.

Some European lawmakers (MEPs) are concerned the media will now focus on issues such as an alleged "gravy train" expenses system that has for years allowed members to claim more travel costs than they spend. Parliament has suggested a reform of this, but the proposed system is subject to approval by member states. Some MEPs also want to tighten rules on standards in European public life. The 60-strong group of British MEPs yesterday called for an ombudsman to investigate claims of irregularities in all three European institutions. "An independent watchdog would give us a mechanism to fight fraud," said Alan Donnelly, the group's socialist leader.

Yesterday, however, was a day for MEPs to celebrate their pivotal role in exposing malpractice at the Commission and the arrival of their institution as a power to rival member states governments, acting collectively, and the Commission.

"The [resignation] decision is a victory for the critical voices in the European parliament which opens the way for true and thorough reform of the Commission and its administration," said Magda Aelvot, president of the Green group.

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EUROPEAN COMMISSION INTRIGUING INSIGHTS INTO ITS WORKINGS

The experts' report pulls few punches

By Emma Tucker in Brussels

The Report on Allegations Regarding Fraud, Mismanagement and Nepotism in the European Commission, published late on Monday night is a good read. Its 144 pages are packed with intriguing insights into how the Commission is run, and contain some staggering revelations.

Many of the most shocking facts come in chapter 6 examining the Commission's security office, which falls under the direct responsibility of the president of the Commission and is headed by a director who reports directly to the president's *chef de cabinet*.

The report accuses Mr Santer, and by implication his predecessor Jacques Delors, of allowing the security office to develop into a "state within a state" with unsurprising consequences.

Confidential Commission notes submitted to the five experts that wrote the report revealed the following features of this "regulation-free zone" where "existing laws and regulations were regarded as cumbersome barriers to various forms of arbitrary action rather than as limitations to be respected".

■ The power to offer "small favours" to colleagues in the Commission such as cancelling police fines for parking offences or drink-driving. The security services allegedly performed these favours for directors general of the Commission (its most senior bureaucrats) and members of Commissioners' private offices, or cabinets.

■ The establishment of the security office as a private club for former police officers from Brussels, for whom special recruitment "competitions" were arranged. This included an ex-colonel from the Belgian police who had to be moved to another post in the Commission after he failed to carry out his duties.

The dubious nature of the security office, contracted out to IMS Group 4/Securitas, did not go unnoticed. The report says that when he visited the Seville World Exhibition in 1992 Jacques Delors, then president of the Commission, "noted the presence of 10 Commission security officials, even though security on the spot was provided by Spanish security services. Moreover, their behaviour [feet on the table, heavy drinking etc] was considered intolerable".

Not long afterwards, a member of staff reported to a member of Mr Delors' private office "dubious incidents at the Security Office such as the disappearance of office equipment and furniture".

As early as 1993 an internal Commission audit revealed worrying weaknesses in the way the security office was being run by Group 4. But according to the report no further serious action was taken until 1997 when press reports began to break. Uclaf, the Commission's fraud-busting unit, made its own inquiries and concluded that among other failings, the tender for the security contract had not been conducted fairly.

Such complacency, heavily criticised by the independent experts, emerges again in section 2 of the report, devoted to corruption and fraud in the Commission's tourism unit. By the beginning of this year, 76 bodies or individuals had become subjects of criminal proceedings probes lasting 10 years into allegations of financial irregularities.

But the report reveals staggering indifference by officials who knew about the fraud. In June 1992, (three years after the European Parliament had started asking questions about the tourism unit) the chairman of the European Committee on Tourism wrote to the Commission alleging the unit's head had favoured selection of "an extremely dubious firm" called Demeter for a Commission contract.

"The director general and the director concerned. . .took the view that the approach was designed to discredit a competitor and decided to disregard the letter." Two years later, when evidence of fraud against the official had amassed, he was dismissed "without reduction or abolition of pension rights". A temporary staff member, also accused of irregularities, such as accepting airline tickets for his partner from a body with which he was working, received a sum when his contract was terminated – even after disciplinary proceedings had begun against him.

Edith Cresson, the French commissioner for education and research, is also heavily criticised for presiding over fraud at the Commission's Leonardo youth training programme. The contract to run the €620m ($675.8m) programme was awarded to Agenor, a French company (the report questions the tender process that led to Agenor winning the contract). Internal audits uncovered dubious practices, for example, all printing contracts were awarded to the same company, which beat competitors for the tender via inside information on prices. Agenor also awarded irregular expenses to a contract employee.

The programme also paid "unacceptably high daily fee rates of Ecu2677" to a professor from Exeter University who "apparently did not produce any scientific services which could justify the considerable fee".

The head of administration of the Leonardo programme, given the authority to sign payments of up to BFr100,000 (€2,479, $2,712) "started to write cheques to herself for amounts between BF50,000 and BF100,000".

The report delves into the disappearance of funds from the Commission's humanitarian aid office, Echo. "The first hint of suspicion" about fictitious contracts involving aid to Rwanda and the former Yugoslavia only emerged four years after they were signed and then only because a whistle-blower intervened.

Only two commissioners are criticised for bending staff rules to employ acquaintances – Mrs Cresson, for employing her dentist friend as a "visiting scientist" and Monika Wulf-Mathies, the German commissioner who rustled up a temporary contract for a legal expert married to an old friend.

Manuel Marin (whose wife works at the Commission) and João de Deus Pinheiro, (whose brother-in-law and wife are both employed in the executive) are let off the hook, having followed the necessary procedures.

Jacques Delors, left, with Anita Gradin, Monika Wulf-Mathies, Manuel Marin and João de Deus Pinheiro, four of the six commissioners named. By implication Delors, the previous Commission president, is accused of allowing the development of a 'state within a state'

JACQUES DELORS

Over half the cases date back to 'golden era'

By Emma Tucker

In a bitter aside, Jacques Santer, president of the European Commission, yesterday told journalists to "ask my predecessor" about the allegations of fraud and mismanagement levelled at the Commission in the wise persons' report.

That comment reflected a fact easily overlooked – more than half the cases probed in the document date back to the era of Jacques Delors, the former Commission president, feted as having presided over a golden era in the European Union executive's 42 years.

Praised for his strong leadership by member states and EU bureaucrats alike, the report nevertheless shows that the culture of mismanagement and refusal to accept responsibility was firmly entrenched even under Mr Delors. It specifically criticises him for not following up an audit that revealed the petty gangster-like tendencies of the Commission's security office.

Mr Delors is not the only figure from the past to find his way on to the pages of wise men's devastating critique. Abel Matutes, Spain's foreign minister who was formerly commissioner in charge of the "Med" co-operation programme with Mediterranean countries, is strongly criticised.

The report says he "seems to bear much more clear-cut and much greater responsibility" than his successor, Manuel Marin, for the shoddy structures at Med, which allowed for "irregularities, conflicts of interest, and a lack of control".

Successive commissioners are named in the context of fraud related to the EU's tourism programmes, including António Cardoso e Cunha, the former Portuguese commissioner, Raniero Vanni d'Archirafi, one of the last Commission's Italian representatives, and Christos Papoutsis, the current Greek commissioner. They "bear joint responsibility for formulating and attempting to implement a policy for which resources were not available and over which it was exceedingly difficult to exert effective control," says the report.

By implication, even though they are not mentioned by name, the report questions the effectiveness of the Commission's most senior officials in the secretariat, legal services and the 25 directorates that have presided over the Commission's "culture of complacency".

"Each individual must feel accountable for the measures he or she manages," says the report. "It is becoming difficult to find anyone who has even the slightest sense of responsibility."

CURRENCY MARKETS

Euro shakes off Asia worries

By Alan Beattie in London

The euro executed an abrupt about-turn yesterday as traders in the Asian and European time zones took strongly different views of the likely effect of the European Commission resignations.

The euro dived early in the Asian trading session when the resignations were announced, falling 1.5 cents to $1.081, within sight of its record low of $1.078. It remained under pressure for the remainder of Asian trading.

But analysts and traders in London took a much more relaxed view of the likely implications of the news and drove the euro back up.

"The immediate reaction to the news was that it was the end of the world and there was now no one ruling Europe," said Chris Furness, senior currency strategist at the economic consultancy 4Cast in London. "But the reaction when the London and European markets opened was to buy it all back again." The euro regained its pre-announcement levels in the first few hours of European trading and by the end of the European session was around $1.09.

The new currency started its trading life in the new year around $1.17, since when it has declined steadily. Market participants have frequently cited policy conflict and uncertainty in the euro-zone as a main reason for the euro's fall. But in Europe, at least, they appear to have understood that the Commission has little or no role in the running of the euro.

"The markets in Europe had a clear grasp of the idea that the executive functions of the Commission resignees will not affect the currency," Mr Furness said. "The commissioners have no effect on monetary or fiscal policy in the near term."

Some market participants said the resignation of the commissioners may have made the European Central Bank less likely to cut interest rates when the ECB governing council meets tomorrow, a factor which could support the euro.

"With the departure of [German finance minister] Lafontaine last week and the European commissioners this week, to cut interest rates at the first opportunity might seem like dancing on their graves," one analyst said.

TURMOIL WARNING CALL TO SECULARISTS

Virtue party threatens to topple Ecevit

By Leyla Boulton in Ankara

Turkey's Islamist Virtue party yesterday threatened to topple the government and throw the country into political turmoil, unless secularist parties helped it lift a ban on its former leader one month before elections set for April 18.

It said it would support a no-confidence vote in Bülent Ecevit, the caretaker prime minister, unless parliament passed legislation allowing Necmettin Erbakan, banned leader of Virtue's outlawed predecessor party, Welfare, to run for parliament.

The threat came as Turkey grappled with a worsening bombing campaign inspired by the Kurdish PKK guerrilla group, which wants the release of Abdullah Ocalan, its captured leader who is awaiting trial on treason charges.

Erol Cakir, governor of Istanbul, said yesterday that some 300 attacks, which he attributed to the PKK, had hit the city, Turkey's biggest, in the latest wave of violence.

"We strongly believe in the possibility that terrorist actions will continue from now on," he said.

He ordered private operators to tighten security at cinemas, sports stadiums, theatres, mosques, churches, shopping centres, hotels, bars and cafes. Turkish police have mounted a nationwide security crackdown with road blocks, random searches and hundreds of arrests.

The warning given by the PKK every year for tourists to stay away from Turkey has this year been taken more seriously by foreign governments. Some including Britain, have advised their nationals to avoid travelling to the country.

Together with the bombings, the parliamentary action increases prospects of renewed political instability, when Turkey and its financial markets had come to count on a smooth election campaign to produce a strong secularist government.

Mr Ocalan's capture had given a strong boost to the chances of Mr Ecevit's Democratic Left party.

But the unexpected reconvening of parliament at the weekend by an unlikely alliance of Islamists and cross-party MPs upset at being struck off party leaders' lists of parliamentary candidates has altered the political picture in Turkey.

The tabling of a censure motion on Monday allows parliament to stay in session for another two weeks to discuss the possibility of postponing the elections.

Regardless of whether the polls are delayed, the protracted debate will disrupt campaigning and detract public attention from the achievements the government wants to focus on.

Mr Ecevit said that the political confusion, which triggered a further 3.41 per cent drop in the stock market yesterday, was already affecting the economy.

"We had seen economic improvement. Now it has started to regress. I hope this chaos will end as soon as possible," he added.

A parliamentary committee meets today to try to finalise an agenda for the session. But it is already clear that the rebels are deeply divided.

Virtue party members say they will support the elections if they get their way on reinstating their former leader.

But most secularist rebels want to postpone the elections to rebuild their chances in time to run in 2000, the deadline for elections to be held.

Serbia bid to change peace deal rejected

By David Buchan in London and Guy Dinmore in Belgrade

International mediators yesterday rejected Serbia's bid to make big political changes to the draft peace accord for Kosovo, and warned "the moment of truth" was near for Belgrade to allow foreign peacekeeping troops on its soil.

Hubert Védrine, French foreign minister and co-chairman of the Paris peace talks, accused the Serbs of backtracking on aspects of the political agreement they had accepted at the first round of talks in Rambouillet last month.

In addition, the Serbs "still totally refuse civil and above all military guarantees on the ground", Mr Védrine told the French national assembly yesterday. "The last word has not yet been spoken, but the moment of truth is not far away," he said.

The team of international mediators rejected what they claimed was a Serbian "rewrite" of the political power-sharing arrangements discussed at Rambouillet, although they said "some of the minor technical changes" proposed by the Serbs could perhaps be renegotiated with the Albanians, who on Monday said they would sign up to the overall peace deal.

Milan Milutinovic, Serbian president, said in Paris his delegation was ready to accept the political text on autonomy for Kosovo, but on the condition that Belgrade's amendments were adopted. He did not elaborate, but Serbian state television said one of the main objections was to the removal of jurisdiction of Serbian courts over Kosovo.

Politika, the leading pro-government daily, complained yesterday that "a trap is being laid for Serbia" by the west, which was "trying to create a good excuse for aggression against a sovereign state". Nato has threatened to bomb Yugoslavia's military network if it judges Belgrade to have obstructed peace.

Mr Milutinovic reiterated that Serbia would not accept foreign troops in Kosovo. Belgrade diplomats said Slobodan Milosevic, the Yugoslav president, wanted to drag out the talks to sow divisions among the US and its European allies as well as within the Kosovo Albanian delegation.

Those close to the Kosovo Albanian delegation said the fragile unity between its political and military representatives was showing signs of fragmenting. Members of the delegation had begun arguing among themselves over how to divide up powers in the future autonomous government envisaged for Kosovo.

While the talks go on, foreign observers report that Serbia has reinforced its troops in Kosovo in breach of the agreement Mr Milosevic made with Nato last October. Villages were burning in the Cicavica hills of northern Kosovo as Serbian security forces attempted to push back KLA units. The United Nations High Commission for Refugees (UNHCR) estimated that 9,000 people had fled their homes in the past two days.

Yugoslav soldiers yesterday watch a house burning in the village of Osljane, south-west of Pristina AP

Primakov gains Start-2 victory

By John Thornhill in Moscow

Yevgeny Primakov, Russia's prime minister, won a symbolic victory yesterday when the Duma (the lower house of parliament), agreed to resume discussion of the Start-2 arms reduction treaty.

The treaty, which envisages slashing the number of nuclear warheads by two-thirds, is viewed by the US administration as a crucial test of Russia's willingness to co-operate in the international arena.

The Duma has previously refused to adopt the treaty despite its ratification by the US Senate.

Mr Primakov is due to make an all-important visit to Washington on March 23 in an attempt to persuade the International Monetary Fund to release fresh credits to Russia.

The Russian government believes further progress on arms reduction talks could help win fresh financial support from Washington.

But some Russian strategists argue that US proposals to amend the 1972 Anti-Ballistic Missile treaty could undermine the chances of the Duma approving the Start-2 treaty.

A group of US senators held talks with their Russian counterparts yesterday to convince them that a proposed new missile defence system was solely designed to protect the US from rogue nuclear states.

"I think there's concern that America may be trying to negate the ABM treaty," said Curt Weldon, a Republican congressman. "We assured the Duma that that was not something we were trying to do."

Mr Primakov may face a tougher challenge in persuading parliament to adopt some revenue-raising measures requested by the IMF.

Gennady Zyuganov, leader of the Communist party, the biggest parliamentary faction, said some of the IMF's demands were unacceptable.

ACCORD ON TRANSPORT OF CRUDE OIL PROJECT 'WOULD CONTRIBUTE TO REGIONAL SECURITY'

Greece, Macedonia in pipeline deal

By Kerin Hope in Athens

Greece and Macedonia have agreed to build a pipeline to carry crude oil from the northern Greek port of Thessaloniki to a refinery near Skopje, the capital of the landlocked former Yugoslav republic.

The agreement marks a breakthrough after years of strained relations over Greece's refusal to recognise Macedonia under that name. An interim accord on the dispute was signed in 1995, allowing trade to resume, but Greece still insists the name should be altered to avoid implying a claim on the northern Greek region of Macedonia.

"The project would provide security of oil supplies in a landlocked country and would contribute to regional stability," said Eleftherios Tzelles, chief executive of Hellenic Petroleum (HP), Greece's state oil-refining company.

The Greek side would finance construction of the 220km pipeline, to be built by a joint venture between HP and Meton, a private Greek construction company. HP and Meton would also buy a majority stake in Okta, Macedonia's state-owned oil refinery, and invest in its modernisation.

Macedonia imports about 1m tonnes of oil and petroleum products per year by truck and train from Thessaloniki, and exports small amounts of refined products to Albania and Serbia.

The deal opens the way for HP to penetrate the regional energy market, Mr Tzelles said. The oil pipeline would later be extended to Belgrade, the Yugoslav capital. HP and Meton would also offer to refurbish a power station in southern Macedonia to supply electricity to the south Balkan grid.

The $150m pipeline project would be the biggest investment in Macedonia since it broke away from the collapsing Yugoslav federation in 1991. One of eastern Europe's poorest countries, Macedonia has attracted little investment because of concerns about its political stability.

The centre-right government last month reached agreement in principle with Taiwan for a $1bn investment package in return for opening diplomatic ties.

As a result China broke off relations with Macedonia and vetoed renewal by the UN Security Council of the mandate for a 1,000-strong UN peacekeeping force based in Skopje, which monitored Macedonia's borders with Serbia, Serbia's Albanian-populated province of Kosovo and Albania itself.

AIRCRAFT MANUFACTURING CHIEF-EXECUTIVE INSISTS CONSORTIUM AS A WHOLE IS PROFITABLE AND LOSS INCURRED ONLY BY ADMINISTRATIVE WING

Cost of Boeing price war pushes Airbus into red

By Michael Skapinker in Toulouse

Airbus Industrie made a loss of about £125m ($204m) last year because it had to make provisions of £200m to pay for a price war during the mid-1990s against Boeing of the US, Noel Forgeard, chief executive, said yesterday.

Mr Forgeard, who became head of the European aircraft-making consortium last year, said smaller provisions would be necessary over the next few years to account for the price war from 1995-7. This would result in a loss for Airbus again this year.

Mr Forgeard said the provisions followed a decision by Boeing to initiate a price war against Airbus's single aisle A320 family. "They said: 'Let's kill Airbus.' They dumped prices." He said Jean Pierson, his predecessor, had no alternative but to react.

However, Mr Forgeard said the loss was incurred only by Airbus's central administration and marketing wing and that the consortium as a whole was profitable.

Airbus's central administration is a *Groupement d'Intérêt Economique* (GIE), a French legal entity. To get a full view of Airbus's profitability, manufacturing facilities owned by the four Airbus partners – Aerospatiale of France, DaimlerChrysler Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain – also needed to be taken into account. Mr Forgeard declined to put a figure on the overall profitability of Airbus and its partners' factories.

Industry observers have suggested Airbus as a whole, including the partners' factories, made a profit of about £450m last year.

The scale of the Airbus GIE's loss during 1998 became apparent earlier this year when British Aerospace revealed its share of the loss was £25m. British Aerospace has a 20 per cent stake in Airbus. However, the size of the provisions which caused the loss were previously unknown.

Observers believe that without the price war provisions, the Airbus GIE would have made a profit of about £40m last year, after taking into account other provisions caused by the financial problems at Philippine Airlines, an Airbus customer.

Mr Forgeard said all Airbus's aircraft sales during 1998 were profitable, including an order from British Airways won against fierce competition from Boeing.

The Airbus partners had approached their governments to ask for refundable investment in the A3XX "super jumbo" aircraft. The four governments are being asked to provide a third of the $10bn development cost. Mr Forgeard said the aircraft would go into service in 2005 if there was sufficient demand.

The delay in transforming Airbus into a limited company could damage the consortium. The change should have taken place this year, but the partners delayed the transformation during abortive merger talks between British Aerospace and Dasa.

"The biggest risk Airbus runs is one of complacency," Mr Forgeard said.

US and Israel to invest in high-tech ventures

By Nancy Dunne in Washington

The US and Israel yesterday agreed to invest in joint high technology ventures which would include the development of defence technology for civilian purposes.

The announcement follows the signing of two agreements on Monday intended to boost commercial ties between Israel, Jordan and the US.

Natan Sharansky, Israeli minister of industry and trade, and Marwan Muasher, Jordanian ambassador to the US, attended a ceremony with Charlene Barshefsky, US trade representative, to establish a second "qualifying industrial zone" in Jordan. Goods produced in the zone by Israeli and Jordanian companies will be allowed into the US duty-free. The US requires that goods which benefit from the tariff treatment add at least 35 per cent of the value in the designated zones.

Although Israel has a free trade agreement with the US, Jordan does not. The special zones allow Jordan to have equal benefits for some of its goods while promoting co-operation between Israeli and Jordanian companies.

The ministers also agreed to an expansion of the first Israeli-Jordanian zone in Irbid, northern Jordan, which is expected to grow from its current 104 acres to more than 200 acres and from 4,000 workers to 10,000. Fifty companies are already operating at Irbid, and 18 more have reserved space in the expanded facility.

Eli Kazhdan, an adviser to Mr Sharansky, said Motorola's presence in the qualifying zones was particularly significant because it showed how the region could move up from low to medium and high technology manufacturing. "A few more projects like this, and then things could really start moving," he said.

Contract for Black Sea oil port awarded

By Robert Corzine

The long-delayed Caspian Pipeline Consortium (CPC) took another step forward yesterday with the award of a $360m contract to build a new Black Sea oil export terminal at the Russian port of Novorossiysk.

The contract was awarded to a consortium of Bouygues, the French construction group, and Bouygues Offshore. Two Russian companies – Kubanneftegastroi and Stavropoltruboprovodstroi – will also be involved in the construction.

The $2.2bn, 1,500km-long CPC pipeline is one of the key pieces of infrastructure needed for Kazakhstan to realise its oil export potential. It will link petroleum reserves in northern Kazakhstan, such as the Tengiz and Karachaganak fields, with a new marine oil export terminal at Novorossiysk.

CPC officials estimate that the total contribution of the pipeline project and Tengiz to the Kazakh and Russian economies over the 25- to 30-year life of the two projects will be about $150bn. Of the $2.2bn investment, about half will be spent in Russia and Kazakhstan, with the former receiving the lion's share, as most of the new pipeline will be in Russia.

The contract covers the construction of a new marine terminal located about 20km from the congested existing oil export facilities in Novorossiysk.

Jacques Leost, chief operating officer of Bouygues Offshore, said yesterday the project was technically straightforward, but had a demanding schedule. The first oil shipment is due in July 2001, with the mechanical completion of the terminal scheduled for December 31, 2001. Mr Leost said technicians had already arrived on site.

The CPC project is one of the biggest direct foreign investments to win approval in Russia since the onset of the economic crisis last year. It is an equity funded development, with the cash coming mostly from the main western partners, such as Chevron and Mobil of the US.

The acceleration of work on the CPC will give a big psychological boost to oil companies operating in the Caspian Sea region. Over the past year a combination of low oil prices, poor exploration results and high transportation costs for oil exports has undermined confidence in the region.

US COMPUTER EXPORTS MOOD OF SUSPICION IN WASHINGTON OVER SENSITIVE TECHNOLOGY

High-tech fears threaten sales to China

By James Kynge in Beijing

The exports of top US computer companies to China, one of the world's fastest growing markets, are likely to be hit this year by export controls and a mood of suspicion in Washington over transfers of high technology to China.

Industry executives in Beijing said recent technological advances had put some consumer computer products above the threshold for which US Commerce Department permission is required for exports to "Tier 3" countries, including China and Russia.

The "Tier 3" rule was designed to keep sensitive supercomputer technology out of the hands of rivals of the US.

Under normal trade relations, the Commerce Department might have been expected to grant exemption licences on exports or raise the technological ceiling.

But controversy in Washington over alleged Chinese spying activities and unauthorised US technology transfers to Beijing may thwart hopes for relaxation of US controls.

"The current environment in Washington is not conducive to a rapid resolution of this problem," said Mark Mechem, deputy director of the United States Information Technology Office (USITO) in Beijing.

He added that a significant number of US computer exports to China, which last year totalled $679m, would be affected by the problem.

One of the worst hit companies is expected to be Intel, the computer chip maker. Also affected would IBM, Sun, Compaq and others, executives said.

Jim Jarret, president of Intel China, said that sales of multi-processor units for use in servers would be particularly at risk.

China's server market has begun a period of rapid growth, spurred in part by huge expansion in internet use, Mr Jarret said.

The two recently launched versions of Intel's Pentium III processor fall below the 2,000 MTOPS (millions of theoretical operations per second) limit imposed by the US commerce department.

But the Pentium III is often exported in multi-processor units, the combined power of which is above 2,000 MTOPS.

Exports of these would be curtailed under the current commerce department rules, said Mr Jarret. Another Pentium III product, the Xeon, due to be launched before July, would exceed 2,000 MTOPS and so would also be kept out of China unless special export licences were granted.

Asked if the anti-China mood in US Congress would eliminate the hope for such licences, Mr Jarret said: "It certainly can't help".

The sheer number of licences that would have to be granted (a new one is required for each shipment) could cause a bureaucratic logjam in the commerce department.

Industry executives in Beijing said that the rapid evolution of technology has meant that the 2,000 MTOPS limit could be much higher and still not allow for the transfer of supercomputer equipment applicable for military use.

A US Congressional report has raised alarm that rival militaries could construct powerful supercomputers by combining several smaller computers together in "clusters".

WTO urged to make environment checks

By Frances Williams in Geneva

Environmental groups yesterday called on members of the World Trade Organisation to carry out environmental assessments of trade liberalisation and initiate talks on eliminating environmentally harmful fishing subsidies.

They said these areas seemed to be the most promising for immediate future work in the WTO, in the light of discussions at a two-day WTO symposium on the links between trade and environment.

The symposium brought together for the first time more than 800 representatives of trade and environment ministries, business, academia, non-governmental organisations and other international bodies.

On Monday the US joined the European Union and Canada in committing itself to carrying out an environmental assessment of trade negotiations due to be launched in Seattle in the US late this year.

However, WWF International, the conservation organisation, said yesterday that the WTO in collaboration with the United Nations should also start work on a comprehensive multilateral framework for such assessments.

These could also help to identify more "win, win, win" options along the lines of cuts in fishing subsidies in which trade liberalisation would bring benefits for environment and development, according to WWF's Charlie Arden-Clarke.

During the meeting, Argentina expressed support for the call by the US, Australia, Iceland, New Zealand and the Philippines to initiate WTO talks to abolish harmful fishing subsidies, and Canada and Japan were also sympathetic.

On other issues, however, there was less agreement, notably on whether and how WTO rules should be amended to fit in better with international environmental agreements and accommodate other environmental concerns.

The European Union, in particular, supports rule changes in this direction but developing countries remain suspicious that it could open the door to "green protectionism".

Renato Ruggiero, WTO director-general, said there had been support for greater co-operation between the WTO, the UN environment programme and other agencies.

Lie detectors brought in to boost arms lab security

By Tony Walker in Washington

The US has further heightened security procedures at its weapons laboratories following the outcry over the alleged leakage of nuclear weapons technology to China.

Bill Richardson, energy secretary, told the Senate armed services committee yesterday that lie detector tests were being applied to all employees at national laboratories with access to sensitive information. Only the Central Intelligence Agency has previously followed this practice.

Counter-intelligence efforts at five weapons laboratories were also being intensified to guard against further security breaches and restrictions were being tightened on access to classified facilities by visiting scientists from "sensitive countries", Mr Richardson said.

The administration has come under intense pressure over reports that a scientist employed at the Department of Energy's Los Alamos, New Mexico, facility had passed secrets about the manufacture of the W88 Trident ballistic missile warhead to the Chinese.

Other alleged breaches at national weapons laboratories, including the leaking of details about making neutron bombs, are also being investigated by the CIA, which is to provide a damage assessment next month.

The issue threatens to sour Sino-US ties on the eve of a visit by the Chinese premier.

"We don't know the extent of the theft from China... but we have no illusions about the Chinese," Mr Richardson said. He indicated that President Bill Clinton would be raising espionage issues with Zhu Rongji, China's premier, when he visits Washington in early April.

But Mr Richardson rejected calls for now to suspend scientific visits to US weapons laboratories, arguing such a step would be counter-productive.

Richard Shelby, chairman of the Senate intelligence committee, called on Monday for a moratorium on scientific exchanges until the government had completed its investigation of the leakage of nuclear secrets to China.

Mr Shelby's call coincided with the appointment by the CIA of David Jeremiah, a retired admiral, to conduct an independent review of CIA investigations into China-related security breaches.

Meanwhile, in a sign of growing sensitivity in Washington about the need for tighter export controls, Mike Enzi, the chairman of the Senate international trade and finance sub-committee, has urged stronger coordination among western countries to monitor the sale of "dual use" technology for civilian and military purposes.

Investors say fears of crisis 'bail-ins' would only mean getting out sooner

Proposals designed to compel private sector lenders to participate in rescue packages are meeting with strong resistance, write **Richard Lapper** and **Stephen Fidler**

Proposals to force private lenders to play a part in rescue packages for countries hit by financial crisis are running into strong resistance from banks and investors.

The proposals emerged from western governments worried that official finance from international institutions and governments was being used to pay off private lenders whose mistakes were at the root of the recent financial crises. Their concern was to address the "moral hazard" issue – that the prospect of an official "bail-out" would encourage banks and others to make unwise lending decisions.

After a battle over whether foreign banks should be compelled to back the recently renegotiated International Monetary Fund package for Brazil, a "voluntary" agreement emerged. This provided assurances to the Brazilian government and the official lenders that western banks would commit themselves to maintaining current levels of trade and interbank lines.

The reason for a voluntary agreement was underlined by officials in Paris this week for the annual meeting of the Inter-American Development Bank: once private lenders catch the first hint that they would be compelled to join a rescue financing, they would immediately move to reduce their exposure.

Thus the requirements of recovery from the current crisis conflict with the aim of combating moral hazard among lenders. Now, says Lawrence Summers, deputy US treasury secretary, "the imperative is less to stop bad loans and more to ensure confidence and adequate flows of capital".

Bankers say, however, that there still exists significant concern that they will be forced to participate in future emergency financings, for example in Ecuador. A senior US banker said yesterday: "If anything, the idea is gaining momentum, particularly among European governments who are not capital market friendly."

Mr Charles Dallara, managing director of the Institute of International Finance, the Washington-based body which reflects the interests of international financial institutions, says three recent developments in particular have worried the financial community: the strong encouragement by the Paris Club of official creditors for Pakistan to reschedule its eurobond debt; proposals that clauses allowing restructuring be introduced into the contracts of international bonds issued by emerging market borrowers; and suggestions that the IMF might lend to countries that are running up arrears with private sector debtors.

"I do think that the official sector has to be careful," said Mr Dallara. "In the interests of generating more private sector involvement in the short run it could lead to less involvement in the long run."

One large investor in Latin America said he was prepared to sell his holdings of Latin American bonds if their clauses were changed to ensure "comparability" – aimed at ensuring an equal sacrifice between private and official lenders.

More generally, bankers say "bailing in" proposals reflected little appreciation of how capital markets have changed since the debt crisis of the early 1980s, when commercial banks were the main source of foreign capital for Latin America and restructuring negotiations took several months.

By contrast the region now depends on a much broader base of investors and the market reacts to problems much faster. Last year, for example, commercial bank lending accounted for less than 1 per cent of foreign capital inflows into Latin America, while more than a third was raised on the bond markets. Substantial sums are now raised in new equity.

Moreover, some bankers argue that investors are beginning to differentiate between Latin American economies, rewarding those with better fundamentals and fiscal performance.

David Mulford of Credit Suisse First Boston, the investment bank, and a former US Treasury official, says investors are learning to live with crises in Latin America and are becoming more discriminating about the risks of particular countries. "In each of the crises there has been shock, withdrawal and re-engagement and the re-engagement has been more selective each time. The system is working reasonably effectively."

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Enrique Iglesias, president of the IADB, addresses the development bank's annual general assembly in Paris this week. It was attended by 6,000 people, mostly from its 46 member countries AP

Brazil's private sector 'well placed to cope with devaluation'

Officials from the International Monetary Fund yesterday said the private sector in Brazil appeared in better financial condition to cope with devaluation than its counterparts in the crisis-torn countries of Asia, **Stephen Fidler and Richard Lapper report from Paris.**

The assessment suggests private banks and companies in Brazil are in better shape to help recovery from recession. However, this improved position came at the significant cost to the government, which, in the months leading up to the devaluation in January, assumed significant foreign exchange risks.

"The information we have on the banking system shows that it was more than fully hedged against the devaluation," said Teresa Ter-Minassian, the IMF official who led the negotiations of Brazil's IMF programme. Because Brazilian banks had greater foreign assets than liabilities, "the banks probably profited from the devaluation", she said.

By contrast, Brazilian corporations may have had modest net liabilities in foreign currencies "but not enough to really cause significant problems", she said.

Speaking at the annual meeting in Paris of the Inter-American Development Bank, she said this had come at a cost to the public sector, which suffered foreign exchange losses and was hit by its issuance of debt indexed to the value of foreign currencies.

NEWS DIGEST

US CONSTRUCTION SECTOR

Single-family housing starts at 20-year high

Single-family housing starts hit their highest rate in more than 20 years last month, the US Commerce Department announced yesterday.

The construction of single-family homes was up 1.1 per cent to a seasonally adjusted annual rate of 1.41m units, the Commerce Department said.

Overall housing starts dipped 0.6 per cent to an annual rate of 1.80m because of an offsetting 6.3 per cent decline in building of apartments. However, single-family home starts are seen as a better measure of individual consumer behaviour.

There was also a 0.2 per cent rise in industrial production in February, the Federal Reserve announced yesterday.

That surprised analysts, who had expected a flat month because of the strain on manufacturing imposed by the Asian financial crisis. **Gautam Malkani, Washington.**

JAILED DISSIDENTS

Cuba's trade allies protest

Cuba has jailed four well-known political dissidents accused of sedition, drawing condemnation from the US and criticism from leading trade and investment partners Canada and Spain.

The jail sentences announced on Monday ranged from 3½ to five years and were less than those sought by the prosecution. But foreign diplomats said they still sent a strong message from Cuba's one-party Communist government that it would not tolerate opposition, even when peaceful.

Jean Chrétien, Canada's prime minister, who had asked Fidel Castro, Cuba's president, to release the four, described the sentences as "disappointing" and added his government would be reviewing the range of its bilateral activities with Havana. José María Aznar, Spanish premier, said the jail terms were a "step backwards" for human rights in Cuba.

The four were convicted of inciting sedition after they criticised one-party communist rule, called for a boycott of elections and urged foreign investors to think twice about investing in Cuba. **Pascal Fletcher, Havana**

CONFIDENCE IN MEXICO

Investment pledges over $10bn

Mexico yesterday said it had received foreign investment pledges just exceeding $10bn for 1999, higher than last year and a sign that confidence remains strong in the run-up to presidential elections next year.

The investment commitment, broadly similar to that pledged in 1998, could lead to more than 40,000 new jobs, according to Herminio Blanco, the trade minister.

Last week, his ministry announced that direct foreign investment in Mexico last year was a robust $10.24bn, despite turbulence in Mexico's financial markets as a result of the Russian and Brazilian crises. A big stimulus has been the North American Free Trade Agreement between Mexico, the US and Canada, which since its launch in 1994 has turned Mexico into the second largest recipient of direct foreign investment among the world's emerging markets, after China.

Mexican-owned companies last week announced investment pledges of $7bn. Some have taken a more cautious approach this year because of the possibility of pre-electoral economic turbulence. **Henry Tricks, Mexico City**

Forbes enters presidency race with full wallet

By Deborah McGregor in Washington

Wealthy publisher Steve Forbes made a high-tech entry into the Republican race for the presidency yesterday, but his strategy for winning will rely on old-fashioned conservative values and that most time-honoured of political traditions: barrels of money.

Launching his candidacy on the internet before hitting the campaign trail in New Hampshire, Mr Forbes trumpeted a "new, information age campaign about great ideas and enduring values".

In an effort to establish himself as the leading candidate of the Republican right wing, Mr Forbes draped himself in the mantle of Ronald Reagan and pledged to abolish the tax code, restore Social Security and protect the lives of the unborn.

"Today marks the beginning of a national crusade to restore Ronald Reagan's vision of hope and prosperity for all Americans," he said.

According to the latest opinion polls, Mr Forbes is running roughly in the middle of the pack of 11 Republican contenders, ahead of Gary Bauer, John Kasich and Patrick Buchanan, for example, but well behind the early favourite, George W. Bush.

It is the second time round for Mr Forbes, who lost the nomination to Bob Dole in 1996. In that race, the well-heeled publishing magnate spent more than $36m of his own money, mainly on television and radio ads attacking Mr Dole.

Those tactics did not sit well with the party establishment, however.

With no limits on what he can spend, since he does not rely on public matching funds, it is expected Mr Forbes could easily top $55m this time. His deep pockets have prompted others, including Vice President Al Gore and Mr Bush, to consider eschewing public funds so they can spend unlimited amounts, too.

Money aside, however, Mr Forbes' task is to overcome the sense in the party that he simply does not fit the bill for a winning ticket in 2000. He has proved resistant to ample coaching aimed at improving his warmth and personal appeal. With his permanent grin and staring eyes, he continues to present an awkward public persona.

But more important, he faces an uphill battle in persuading the broader Republican party that he is the kind of winner they need.

In 1996, he suffered a backlash from Republican conservatives who did not view him as sufficiently devoted to their anti-abortion, anti-homosexual message and who were wary of the man who had, in 1984, talked of the party's "unnecessary brouhaha about abortion".

Since then, Mr Forbes has worked non-stop to woo social conservatives.

His efforts were rewarded last week when several prominent social conservatives pledged their support for him and urged their activist members to do the same. But with moderate Republicans launching their own charm offensive and much of the early tide flowing to Mr Bush, many doubt Mr Forbes' message will gain him the kind of broad support he needs to gain front-runner status.

Bank of Japan chief rejects expansion policy

By Gillian Tett in Tokyo

Masaru Hayami, governor of the Bank of Japan, yesterday damped hopes that the central bank was about to implement new expansionary policies to stave off the country's economic downturn.

Speaking in Tokyo after the markets closed, he insisted that the central bank was "in no hurry" to change its monetary policy framework to endorse even more radical measures, as some politicians and foreign financial officials are urging.

"There is no need to hurry [in changing our policy]. The most important thing for a central bank is to avoid sowing the seeds of future inflation," he said.

The hawkish comments are likely to disappoint many foreign investors, who have recently bought large volumes of Japanese stocks partly on hopes that Japan was moving towards an even more expansionary monetary policy. The Nikkei 225, the main stock market indicator, closed above 16,000 for the first time for eight months yesterday, before Mr Hayami's comments.

Mr Hayami's caution may also disappoint some members of the ruling Liberal Democratic party who have also been urging him to take more radical action. This pressure has risen since the release of data last Friday showing that the economy shrank by 0.8 per cent between the third and fourth quarters of 1998, its fifth consecutive quarter of decline.

Some senior bank officials are also urging its policy board to consider additional measures in the coming weeks.

The bank will publish today the minutes of the policy board meeting on February 12, which decided to reduce the call money market rate – or the overnight market rate – from 0.25 per cent towards zero. Although this stance was agreed by majority vote, the minutes are likely to show that at least one member was also urging more radical action, such as the adoption of an inflation target.

Since this meeting, the bank has pushed the overnight call rate to almost zero. Some economists suspect that this may not be sufficient to ward off fully the inflationary pressures in the economy.

However, it would be technically difficult for the bank to create negative interest rates and if it wanted to loosen monetary policy further, it would need to abandon its traditional policy of guiding overnight interest rates, and seek to take other measures such as:

● Focus on a specific target for the growth in the money supply, and achieve this by pumping more liquidity into the markets or purchasing government bonds.
● Focus on the three month money markets, and seek to bring interest rates towards zero in this market as well
● Adopt an inflation target of the sort used by central banks in the UK, in order to create inflationary expectations in the economy
● Seek to monetise the debt by buying Japanese government bonds, either directly from the Ministry of Finance, or the markets.

The policy board is strongly opposed to any suggestion that it should monetise the debt. However, some bank officials have discussed moving to a monetary target or reducing the three-month interest rate in recent weeks.

US and N Korea agree to nuclear probe

By Richard Wolffe in Washington and John Burton in Seoul

The US and North Korea have reached agreement on inspections of a suspected nuclear facility in North Korea, the State Department said yesterday.

Madeleine Albright, the secretary of state, said in a statement that the agreement would allow an unlimited number of visits by US teams to the site at Kumchangri, near North Korea's main nuclear site, with the first visit to take place in May.

The US could not accept a North Korean demand for compensation but would resume what were described as pilot agricultural projects and supply a previously pledged 500,000 tons of food aid.

Differences remained up to the last minute on the wording of the agreement. North Korea was demanding that the accord include a promise of US food aid.

The inspection accord is likely to be criticised in the Republican-controlled US Congress if its appears that the US is yielding to North Korea's demand for food aid in return for access to the suspected nuclear site.

The large underground facility has raised US suspicions that North Korea might be preparing to resume its nuclear weapons programme despite a 1994 agreement under which Pyongyang promised to shut down reactors capable of producing weapons-grade plutonium in exchange for fuel and safer nuclear plants.

The US Congress has threatened to cut off funds to finance the supply of fuel promised under the 1994 accord unless the US gains access to the underground site, which is still under construction.

The discovery of the underground site and North Korea's firing of a three-stage missile over Japan last August led to criticism of the Clinton administration's policy of engagement and forced the US president to appoint William Perry, a former US defence secretary, to conduct a review of US policy on North Korea.

Mr Perry is expected to deliver his report within the next few weeks. An agreement on inspections would strengthen the administration's case for a policy of engagement rather than one based solely on military deterrence.

It would also ease fears in South Korea, which is pursuing a "sunshine" policy of economic co-operation with the North, that the US is preparing to adopt a more hard-line stance towards Pyongyang.

Companies to increase pay despite profits squeeze

By Michiyo Nakamoto in Tokyo

Leading Japanese companies are expected to agree today to moderate wage increases in spite of the country's prolonged economic slump.

Toyota, Japan's largest vehicle manufacturer, is likely to agree to an average monthly increase of Y7,600 ($62), representing 2.21 per cent of the average basic salary. Toyota's decision will be closely followed since it sets the tone not only for the industry but for other sectors as well.

Large electrical manufacturers, such as Matsushita and Hitachi, are also expected to agree increases of between Y6,500 and Y7,000, about 2 per cent of basic salaries. Hitachi's wage increase comes in spite of the company's fall into loss this year.

However, this year's spring labour offensive, as the annual wage negotiations are known, is likely to result in the lowest pay increases seen in recent years, highlighting the difficulties Japanese companies face. Toyota's expected increase is the lowest since 1982 while that at Hitachi will be the lowest since 1970.

Nevertheless, average pay in Japan has risen each year since 1990, when the burst of the Japanese asset bubble triggered a long downward slide of the economy, according to figures released by the Ministry of Labour.

Labour costs have risen steadily at Toyota in spite of a sharp fall in domestic output, the company points out. The ratio of labour costs to sales rose from 7.5 per cent in 1990 to 8.5 per cent at the end of last March while production has fallen 24 per cent from 4.2m vehicles to 3.2m.

The continued rise in wages contrasts with the sharp cuts in capital spending among Japanese companies. Private sector spending is expected to fall for the second year running, after falling an estimated 4.2 per cent last year.

However, cracks are beginning to appear in the practice of annual pay increases as more companies come under pressure to reduce costs amid falling prices and sharp declines in revenues.

"It is very difficult to cut wages because it affects employee morale and livelihoods. But from now on the introduction of consolidated accounting and international accounting standards will increase pressure on companies to cut labour costs," notes Katsujiro Oyanagi, director of the labour relations and wages division of the Japan Federation of Employers Associations.

This year, the management at Mitsui Shipbuilding and Engineering is negotiating a 10 per cent cut in wages, while Yokohama Rubber, Industrial Bank of Japan and All Nippon Airways are also expected to press for pay cuts.

NEWS DIGEST

REFORM OF STATE MONOPOLY

India may limit foreign insurance investment

An Indian parliamentary committee yesterday pressed for changes in a draft bill to liberalise the state monopoly insurance sector, advising in particular restriction of foreign investment in eventual private insurance companies.

It recommended that foreign insurers be allowed to hold only up to 26 per cent in any joint venture with an Indian partner. But it suggested removing a clause in the draft bill permitting an additional 14 per cent stake in such entities by "non-resident Indians", foreign institutional investors and "overseas corporate bodies" – companies owned by non-resident Indians.

Parliament is expected to vote as soon as this week on the controversial bill, which would open insurance to private and foreign investment for the first time since the sector's full nationalisation in the 1970s.

A stake of 26 per cent in Indian law grants important powers to a minority shareholder, including the right to call extraordinary board meetings. The figure is considered a minimum by foreign insurers, many of which have long-standing joint ventures with Indian partners in expectation of the sector's liberalisation. **Mark Nicholson, New Delhi**

MALAYSIAN PROJECT

Super Corridor goes 'smoothly'

Malaysia's Multimedia Super Corridor, an ambitious project to turn the country into an information technology producer, is proceeding smoothly, its chairman said yesterday, although the economic crisis had affected local companies' ability to raise funds.

Othman Yeop Abdullah, executive chairman of Multimedia Development Corporation, denied a report in Business Week, the US magazine, that investments pledged by multinationals are only a quarter of the M$4bn (US$1.1bn) targeted. He said the project had been successful in attracting 29 international companies, 17 of which have their regional headquarters in the MSC.

Dr Othman said investment in the MSC, a 15km by 50km zone south of Kuala Lumpur and launched in 1996 as a future engine of growth, had risen from M$1.1bn in 1997 to M$1.2bn. He was speaking at a press conference attended by representatives of Sun Microsystem, Microsoft and Intel of the US, India's NIIT and other companies investing in the MSC.

■ Mahathir Mohamad, the Malaysian prime minister, has promised that internet users would not be subject to censorship and has ordered that regulations requiring internet users at cybercafes to register themselves be rescinded.
T.J. Tan, Kuala Lumpur

PHILIPPINE TRADE

Glimmer of economic hope

Trade data for the Philippines for January have highlighted the continued weakness of the country's economy but also revealed some glimmers of an upturn. The balance of trade in goods was in surplus for the eighth consecutive month at $186m. Export receipts rose by 22 per cent to $2.58bn from $2.11bn while import payments fell by 15.6 per cent to $2.39bn from $2.83bn.

Joey Cuyegkeng, economist with ING Barings, said while the year-on-year fall in imports indicated economic weakness, there had been a 16 per cent month-on-month increase in import payments from December. He said if this continued in February, it could indicate the economy had bottomed out. **Tony Tassell, Manila**

CORRECTION

Malaysia and IFC

Malaysia will rejoin the IFC regional and composite indices in November, not immediately as the FT reported on March 11.

Zhu's popularity tested by Chinese suffering

James Kynge finds the premier may need more than his refreshing humility to pursue reforms

It was a mea culpa of the sort seldom heard from China's communist élite: "What I am dissatisfied with is that I have not done a good job," said Zhu Rongji, the premier, at an annual news conference broadcast live to hundreds of millions of Chinese this week.

Rather than portraying any sense of creeping inadequacy, however, Mr Zhu's humility – enormously popular with many in Beijing who heard it – seemed to indicate the confidence of China's most dynamic leader.

It is true that 1998 was a painful year for vast numbers of Chinese. Unemployment ballooned, the losses of state enterprises piled up, corruption ran wild and the country failed, albeit by a narrow margin, to attain the 8 per cent growth target that Mr Zhu had "guaranteed" at the same news conference in March last year. China grew at an official 7.8 per cent, but many economists believe this overstates reality by several percentage points.

Nevertheless, one year after he was appointed premier, Mr Zhu's standing remains high. He seems to be genuinely popular with large numbers of ordinary people enamoured of his humour, incisiveness and determination. Some, of course, rail against the policies that have thrown them out of work and on to the poverty line.

Within government, he lacks a power base run along traditional patron-protégé lines, but seems to command an intellectual commitment from many technocrats for his programme of economic reforms. "Reforms are painful, but there is no other way out for China," said one government official.

It was also seemed telling that only 18 among nearly 3,000 delegates to the National People's Congress, China's mild-mannered parliament, voted against his work report this week, despite the fact that it promised little but hardship. No other speech during the two-week NPC session drew so little opposition.

But despite Mr Zhu's unusual popularity, real dangers loom ahead. There may come a point, many observers believe, when deepening economic hardship translates into widespread discontent and growing social unrest. Under such circumstances, it is possible that Mr Zhu's natural constituency – the pursuit of free market reforms – could be undermined by calls for a return to greater socialist orthodoxy.

He is particularly vulnerable on this front, foreign diplomats said, because key strands of his economic policy are contradictory.

She Jianming, one of the top economic advisers to the state council (cabinet), acknowledged this month that China's reforms to its ailing state-owned enterprises were working against another economic policy priority; the expansion of consumer demand.

In the past, said Mr She, most of the cost of education, medical care and housing for state workers was borne by the state. Now, the burden is being shifted to the individual, sapping consumer spending power.

"We know that we will have to pay for more and more of what the state pays for now, but we don't know when and we don't know how much," said Yang Longde, a public servant in Beijing. "When you don't know what is happening, it is safest just to save."

Given that consumer spending accounts for around 50 per cent of gross domestic product, China's saving spree is a serious problem. But economists said that unless Mr Zhu's reforms are halted, and socialist-era welfare benefits restored, the growing psychological aversion toward spending may deepen.

But Mr She, in common with almost all government officials, believes that a reversal of reform is not an option. Instead, he says: "We have to manage well the intensity of reforms in order to avoid drastic results."

If "drastic results" did emerge, Mr Zhu's prestige could be most at risk.

At the end of his speech, the premier's voice rose to exhort NPC deputies to "vigorous reforms" but other senior officials avoided using this phrase. They chose safer slogans advocating unity and hard work.

There are already street demonstrations, riots and other signs of social unrest, but so far they appear to be localised and relatively minor. Foreign diplomats and other observers said, however, that a serious outbreak of internal strife cannot be ruled out if economic growth continues to slow.

The risk for Mr Zhu is that there could be a day when his mea culpas may not be so voluntarily offered.

Bid to be 'true commercial bank'

The State Development Bank, China's largest "policy bank", yesterday launched a 20-branch nationwide network to improve supervision and support for the infrastructure projects that represent the core of its lending business, writes **James Harding**.

The branches in leading cities were acquired in the State Development Bank's takeover of the China Investment Bank in December and will form a foundation for the policy bank to become a "true commercial bank", Chen Yuan, its president, said.

The bank, which is just five years old and has assets of more than RMB500bn ($60bn), focuses on government-directed lending to infrastructure projects. But the SDB is seen to be moving towards developing its investment banking business, notably after the acquisition of the China Investment Bank.

Zhu: China's most dynamic leader Reuters

Active role for HK share body

By Louise Lucas in Hong Kong

The body set up the Hong Kong government to manage its share portfolio may exercise its vote on corporate proposals such as mergers and acquisitions involving companies whose shares it holds.

The move, announced yesterday, indicates that Efil – Exchange Fund Investment Ltd – could play a more active role as shareholder, potentially giving rise to conflicts of interest.

However, the planned disposal of part of the government share portfolio, now worth an estimated HK$175bn (US$22.6bn), has also moved forward: Efil said yesterday it would be sold through a variety of methods, possibly including share placements and corporate buybacks.

The government's unprecedented intervention in the stock market last August, designed to prop up prices and frustrate speculators, was aimed at restoring stability to volatile financial markets.

But it also sparked fears that Hong Kong was abandoning free market principles, and that it could find itself mired in conflicts of interest as both regulator and owner of a slice of blue chip corporate Hong Kong.

These fears were partially allayed by the government's commitment to disposing of the bulk of its share portfolio and its insistence that it would be a largely passive investor. About one-third of the shares are to be retained.

Yesterday Efil said it would consider and advise on voting on proposals such as takeovers, mergers and acquisitions and connected party transactions on a case by case basis. It would still advise against seeking board representation, and against voting on mundane or routine matters, such as the adoption of audited accounts.

Three investment banks have been targeted by Efil as potential financial advisers for the disposal plan. Their names will not be released until next month but the nine-strong shortlist is understood to include Goldman Sachs, Morgan Stanley, Jardine Fleming, CSFB and Warburg Dillon Read.

The investment banking arm of HSBC, the banking giant in which the government has a 8.8 per cent stake, was also understood to be on the shortlist.

Efil is pursuing a combination of methods of disposal, including exchangeable bonds, share placements, corporate share buybacks and unitisation. Unitisation involves pooling the portfolio and splitting it into units which could then be sold to retail investors.

Jakarta to push debt repayments

By Sander Thoenes in Senggigi, Lombok

Indonesia yesterday promised to start pushing for the repayment of loans to state banks by launching bankruptcy procedures and speeding debt talks that have so far failed to produce any restructuring deals.

In a letter of intent with the International Monetary Fund, needed for a new loan disbursement, Indonesia said the Indonesian Banking Restructuring Agency and the seven state banks would initiate bankruptcy suits against 20 big corporate debtors by the end of April.

Indonesia failed to meet a pledge to launch bankruptcy procedures last year, despite adopting a bankruptcy law and creating a court to press debtors.

Indonesian enterprises owe $80bn in off-shore debt, little of which is being paid, with large amounts owed to domestic banks.

Nearly all the Rp300,000bn ($32.6bn) in government bonds to be issued before late April will be used to recapitalise state banks, and private banks taken over by the government.

Israel's religious students on welfare place heavy burden on economy

The rate of non-participation in the country's workforce is the highest in developed world, writes **Avi Machlis**

Smiling behind his reddish beard, Yishayahu is rushing to class at one of the countless *yeshivas*, or religious seminaries, scattered along the winding alleys of Jerusalem's ultra-Orthodox Me'a She'arim neighbourhood.

Like many religious students, 24-year-old Yishayahu has never worked, and is quick to defend his lifestyle, despite growing criticism of secular Israelis. Yet Yishayahu's staunch defence masks an ignorance of a looming economic crisis that may soon come crashing down on the serenity of a communal way of life devoted to endless Talmudic studies.

"Making money in this world just isn't important to us," says Yishayahu. "It's the world to come that really counts."

Economists say the number of non-working *yeshiva* students has driven up the rate of non-participation in the workforce in Israel to the highest in the developed world. Non-participants are excluded from unemployment data.

In addition, the ultra-orthodox – known as the *haredim* ("God-fearing") are more dependent on government funding and philanthropy than ever before. And with soaring birthrates, their community, which makes up about 7 per cent of Israel's 6m population, is rapidly sinking into poverty and impeding government efforts to revive economic growth.

Ruth Klinov, economics professor at Hebrew University of Jerusalem, and Eli Berman, an economist from Boston University in the US, have extensively studied trends of the ultra-Orthodox.

In a 1997 study, they showed that Israel's workforce participation rate for men aged 25-54 fell from 93.5 per cent in 1970 to 85.7 per cent in 1993. In western Europe and the US the rate was about 94 per cent in the early 1990s.

"About one-third of the decline can be attributed to the *yeshivas*," says Ms Klinov. "The problem is that ultra-Orthodox non-participation is not cyclical. It is permanent and increasing at a geometric rate."

Indeed, the number of *yeshiva* students has doubled from 35,980 in 1990 to more than 72,000 in 1997, or 1.2 per cent of the population. The proportion of ultra-orthodox men not working has climbed from 41 per cent in 1980 to more than 60 per cent today.

These trends, along with high birthrates, have sent the average *yeshiva* student's family below Israel's poverty line. *Haredi* women have 7.6 children on average, and often work, too. But monthly income for these families is less than half that of all Israeli families.

Ultra-Orthodox Jews demonstrating against a supreme court ruling last month. 'Making money in this world isn't important,' say students

The *haredi* population is growing so fast, it will double every 17 years. By 2010, say the researchers, 10 per cent of Israeli children will have a non-participant father studying in a *yeshiva*.

"At current levels of transfers and taxes, the ultra-Orthodox growth rate will make Israel's welfare system insolvent and bankrupt municipalities with large ultra-Orthodox populations," argues Mr Berman in a working paper.

Meanwhile, these trends complicate efforts to jump-start Israel's stagnant economy. Growth has fallen from about 6 per cent per year in the mid-1990s to 2 per cent in 1998.

Not only is the government deprived of badly needed tax revenues, but it is spending more on this non-productive sector. Ultra-Orthodox parties, who hold the balance of power in government, have squeezed more and more funds out of the state budget for yeshivas, while the population explosion demands more welfare payments.

Meanwhile, a frustrated business community is waiting for more infrastructure investment to boost growth. "Funding the *haredim* is a wasteful investment that gives returns in the next world, but not in this one," says Ms Klinov.

But what keeps the *haredim* in *yeshiva*? Mr Berman, who has tried to find economic explanations, argues that it is not simply religious dictates or faith, since in ultra-Orthodox communities abroad, most men leave *yeshiva* to work by the age of 25.

Deferments from military service are the biggest problem. This issue has been at the heart of religious-secular tensions throughout Israel's history, and the deferments were recently ruled illegal by the Supreme Court.

Yeshiva students are granted deferments through to the age of 35, provided they are not working. Yet even after receiving full, unconditional exemptions, most stay in school. Unlike their diaspora counterparts, explains Mr Berman, Israeli *haredim* stay on to prove their commitment to the community by demonstrating that they were not just studying to stay out of the army.

If this system does not change and rabbis do not start sanctioning employment, the community and Israel could face a serious crisis.

"If the population doubles every 17 years, the funding sources must also double to maintain the impressive mutual insurance network that currently prevents haredi families from falling into destitution," says Mr Berman. "It's essential that the *haredi* leadership understand that economic bankruptcy is imminent."

But Rabbi Avraham Ravitz, an ultra-Orthodox MP and Knesset finance committee chairman, is not particularly worried. He says the rabbis should allow students to work, but does not support active encouragement or strategic planning. "There's no need to be sophisticated and plan for a scenario that will take place 17 years from now," he says. "This country is living with miracles."

Sharon says Jerusalem will never be divided

By Judy Dempsey in Jerusalem

Ariel Sharon, Israeli foreign minister, said yesterday a 1947 United Nations resolution that placed Jerusalem under a special international regime was "null and void".

Speaking to foreign ambassadors, Mr Sharon insisted "the government led by Mr [Benjamin] Netanyahu will never agree that Jerusalem will be divided any more and Jerusalem will stay forever the capital of the Jewish people and the capital of the state of Israel".

His remarks, said diplomats, put paid to any notion that Israel was prepared to leave the future status of Jerualem until final settlement negotiations with the Palestinians. The Palestinians hope to make east Jerusalem the capital of their future state.

"Not only has the Netanyahu government made Jerusalem an election issue," said a senior EU diplomat. "It has shown it disregards previous UN resolutions as much as the Oslo accords in which Israel and the Palestinians together agreed to leave the city's final status until later."

Mr Sharon's remarks came in the wake of a sharp correspondence with the European Union, with Israel demanding diplomats stop visiting Orient House, headquarters of Faisal Husseini, who is in charge of Jerusalem affairs for the Palestine Liberation Organisation.

On the one hand, EU and US diplomats argued, Israel was insisting that any Palestinian-Authority related issues be carried out only in areas under the PA's control, pending the outcome of a final settlement for Jerusalem. On the other hand, Israel's stance on Jerusalem – including settlement building in the eastern part of the city – was pre-empting an outcome since it was prejudicing any negotiations.

The request to stay away from Orient House provoked a tough response from Theodor Wallau, German ambassador to Israel representing the EU as Germany chairs the union's rotating presidency. He recalled the language of UN resolution 181 which in 1947 stated Jerusalem was a *corpus separatum*, to be placed under a special international regime.

EU diplomats said they responded in this harsh tone, tired, said one, of the Netanyahu government's "arrogant" stance on Jerusalem and its attitude towards consular officials based in east Jerusalem. They particularly resented how in another letter, the foreign ministry referred to "the intelligence gathering activities of the consul generals and their representatives in the territories".

This was a reference to the EU's "settlement watch", its regular report on settlement activities in east Jerusalem and the West Bank.

Nigerian gas plant to expand

By William Wallis

The prospect of significant investment revitalising Nigeria's energy sector came a step closer yesterday when shareholders in Nigerian Liquefied Natural Gas approved a $1.8bn expansion to a vast gas plant being built in the oil-producing Niger Delta.

Royal Dutch Shell confirmed that the agreement cleared the way in principle for its proposed $8.5bn (£5.3bn) integrated oil and gas investment strategy in Nigeria.

They said, however, that the individual components of the plan, announced last month, would be approved separately according to their place in the development schedule, while formal approval for production sharing contracts is still awaited.

Shell produces about half of Nigeria's output of 2m barrels a day. Its proposed investment programme would see Nigerian oil output increase by almost a third, or 600,000 barrels a day, over the next 10 years, as well as establishing Nigeria as a global player in the liquefied natural gas market.

The project to expand the plant – a vital component of Shell's own plans – will increase its capacity by 50 per cent, doubling the 3.7bn cubic metres of gas expected from the first two production trains due to start up by the end of the year.

The extension to the plant will enable the processing of gas produced in association with oil, most of which is now being flared with disastrous consequences to the environment.

About $600m towards the construction costs are being provided by NLNG's shareholders, the Nigerian National Petroleum Corporation, Shell Gas, Elf and Agip International.

The remainder will come from revenues and surpluses from the first train of production.

NLNG said yesterday that Spain's Enagas was committed to buying 70 per cent of the gas produced from the expansion of the plant over a period of 21 years.

NORTHERN IRELAND AMID NATIONALIST CLAIMS OF COLLUSION, POLICE TAKE STEPS TO ESTABLISH INDEPENDENCE OF INVESTIGATION

FBI is asked to evaluate murder probe

FT Reporters in Belfast, London and Washington

The US Federal Bureau of Investigation was called in yesterday to certify the independence of the investigation by the Northern Ireland police into Monday's car bomb murder of the lawyer Rosemary Nelson. Some nationalists have charged that there was official collusion in the murder.

Sir Ronnie Flanagan, the chief constable [Northern Ireland police chief], said he was bringing in "an external independent element" to ensure the "diligence and professionalism" of his officers should not be undermined by such allegations.

Sir Ronnie said David Phillips, head of the Kent Constabulary in south-east England, is also being brought in to "oversee" the investigation, and together with the FBI representative will meet today "to determine the exact detail as to how the investigation should be conducted, supervised and overseen".

Police yesterday carry out a fingertip search near the home of Rosemary Nelson, who died after a bomb blew up her car PA

He said allegations of collusion "have been expressed on an international front and I have to be sensitive to that. That is why I have introduced, in an unprecedented way really, an international dimension to this investigation."

Mo Mowlam, chief Northern Ireland minister in the UK government, said in Washington that an FBI presence would help "to address some of the concerns that have been expressed". Dato Param Cumaraswamy, a United Nations investigator who has been critical of the Northern Ireland police in the past, welcomed the Flanagan move. However Chris Smith, chairman of the US Congress's Human Rights sub-committee, said the region's police could not be allowed to lead the investigation otherwise "any finding is likely to have a taint to it".

Last year, Mrs Nelson testified to Congress that she had received death threats from police in Northern Ireland. Her claims are the subject of a separate investigation by London's Metropolitan Police, which has been submitted to the UK public prosecutions service. Mrs Nelson had been due to discuss the findings before the Northern Ireland Police Complaints Commission on March 30.

The future of the Northern Ireland police force is being considered as part of the 1998 peace agreement under a commission headed by Chris Patten, the former Hong Kong governor.

The murder looks set to harden republican resistance to any early Irish Republican Army move to decommission its arms, dashing hopes that today's St Patrick's Day reception hosted by President Bill Clinton at the White House might produce a breakthrough. Many senior Irish politicians are in Washington for the celebrations. Bertie Ahern, prime minister of the Republic of Ireland, yesterday met Madeleine Albright, US secretary of state.

Ms Mowlam said in Washington that the Northern Ireland parties were "within a hair's breadth" of a settlement. But she stressed: "The reality is that we can't impose a solution. We cannot impose agreement. It is the parties and the communities they represent who have to agree – not us as governments."

Seamus Mallon, the nationalist deputy first minister for orthern Ireland, who is also in Washington, said: "There is space for Sinn Féin [political wing of the IRA] to move and there is most certainly a need for the IRA to put into words what they have not already stated on decommissioning."

Employers urge EU to calm euro fears

By Kevin Brown, Industry Editor

Adair Turner, director general of the Confederation of British Industry, the principal employers' organisation, will today call for a European Union constitution to assuage fears that participation in the euro would lead inexorably to further transfers of sovereignty to Brussels.

In a speech to German businessmen in Königswinter, Mr Turner will say there is no rational basis for claims that the single currency requires greater political, economic or fiscal harmonisation than exists already.

His comments challenge the shared view of British eurosceptics and some supporters of the euro in other European countries that further integration is inevitable if the single currency is to work in the long term.

The speech also marks a further rise in pro-euro rhetoric by business leaders following the launch on Monday of Britain in Europe, a business-led campaign for UK participation.

The CBI favours UK membership in the right economic conditions, but is consulting on whether to campaign more positively. Sir Clive Thompson, CBI president, has called on the government to set a target date for entry.

In his speech, Mr Turner will urge Europe's political leaders to put an end to fears about a timeless transfer of sovereignty to Brussels by setting out clearly what powers should be retained permanently at the state level.

Mr Turner will say the outcome of a constitutional review could be to entrench the existing distribution of powers. Or it might return to national governments some of the powers already transferred.

Dismissing assertions that greater harmonisation is inevitable, he will say that:

- A bigger EU budget is unnecessary because studies suggest only 0.3 per cent of EU gross domestic product needs to be available for fiscal transfers. The existing EU budget could cope with this if agricultural spending was cut.
- There is no need for economic policy co-ordination beyond a flow of information between finance ministers and the European Central Bank, which already exists. German proposals for exchange rate management are unnecessary because the zone has reduced the proportion of external trade to US levels.
- Some "mild" fiscal harmonisation may be needed to cope with cross-border tax avoidance on personal savings, but French and German campaigns against lower taxes in other member states are motivated by the need to explain unemployment generated by domestic labour market policies.

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PM scorns 'crazy' Scottish separatists

By David Wighton, Political Correspondent

Scotland faces an economic slowdown and cannot afford the risk posed by the policies of the Scottish National party, Tony Blair, the prime minister, warned yesterday. He said Scotland had a "great entrepreneurial future" that was threatened by nationalist policies.

Attacking the nationalists' decision to reject his government's planned reduction in the basic rate of income tax, Mr Blair told a Scottish business audience in London that such a move by a nationalist-led administration would drive business out of Scotland.

"Their proposals are wrong because they will make a fair Budget unfair and impose a unique disadvantage on the Scottish people. It cannot be right that Scotland has higher tax exclusively within the UK."

He said a vote for the nationalists in the first elections to the Scottish parliament in May would be a vote for separatism and "anti-enterprise" policies. It would be "crazy" to seek barriers between Scotland and England when the two countries were so connected and the rest of the world was tearing down barriers.

The prime minister said: "While the separatists plan to start the parliament with tax rises – the first instalment of the huge bills for divorce – Labour will reject this vision of a high-tax Scotland and stand on a manifesto promising a partnership for prosperity between business and government and a partnership of prosperity between the Scottish parliament and the government of the UK."

Mr Blair added that nationalist policies were particularly risky because of the economic slowdown.

NEWS DIGEST

BRITISH OVERSEAS TERRITORIES

Citizenship offer to follow review of colonial status

The government is today to propose granting UK citizenship to 150,000 people in all Britain's remaining overseas territories. The announcement comes at the end of a year-long review of how to turn Britain's colonial relationship with its 10 dependent territories into a more modern partnership, while also ensuring that they match British standards on financial regulation and human rights. The overseas territories are generally rated too small to be suitable for independence.

Inhabitants of two of the territories – Gibraltar and the Falkland Islands – already have British passports, partly as security against Spain and Argentina which claim the territories. Those now to be issued with British passports are St Helena in the south Atlantic, Pitcairn in the Pacific, Bermuda, and the five Caribbean islands of British Virgin Islands, Anguilla, Cayman Islands, Turks and Caicos, and Montserrat. **David Buchan, London**

PUBLIC FINANCES

Government amasses surplus

Buoyant public finances are likely to end the financial year in better shape than predicted by Gordon Brown, chancellor of the exchequer, providing him with room to manoeuvre should his forecasts for economic growth be proved wrong. With less than a month to the financial year end, the government has amassed a public sector cash surplus of £15.1bn ($24.3bn), up from a cumulative surplus of £6.1bn a year earlier, according to official figures.

Strong flows of income tax receipts, boosted in part by the introduction of tax self-assessment, and restrained government spending have contributed to the healthy cash surplus. The government received £1.5bn more in taxes than it spent in February, the Office for National Statistics said yesterday. "Even if one doubts the chancellor's assumption of a soft landing for the economy, there are few fiscal clouds on the horizon," said Richard Iley, of ABN Amro. **Christopher Adams, London**

SECURE ELECTRONIC COMMERCE

Royal Mail launches system

The Royal Mail offshoot of the Post Office yesterday entered the world of electronic commerce with the launch of a secure electronic mail system. ViaCode is the organisation's attempt to break into the rapidly-growing e-commerce market and the first time it has offered a communications service not involving the traditional letter. Royal Mail said it believed ViaCode was the first public secure e-mail service in the world. Richard Dykes, managing director of Royal Mail, estimated that the UK market for secure e-commerce services will be worth £400m ($644m) within the next few years, while in Europe the figure would be about £2bn. **Christopher Price, London**

POPULATION TRENDS

Married 'will be in minority'

Married couples will be a minority of the UK adult population within a decade, according to the latest issue of Population Trends, the government publication. The trend, which moves from a position in 1981 when 65 per cent of all adults were married, reflects falling numbers of marriages, past high rates of divorce and marked shifts in conceptions. Almost half of those now take place outside marriage against only a third as recently as 1986.

In 1997, there were 3 per cent fewer marriages than in 1996, but 23 per cent fewer than in 1981. First marriages are falling most quickly, many more couples are cohabiting, and while the divorce rate is stable it remains high by international standards. A projection by the Office for National Statistics says that, while the adult population will rise by 10 per cent between 1996 and 2021, the total number of single and divorced people will both increase by about 50 per cent. **Nicholas Timmins, London**

JOINT SONY VENTURE

Ex-Warner chief's new label

Rob Dickins, former chairman of Warner Music UK, has formed a joint venture with Sony Music to launch a record label. The flamboyant and often outspoken Mr Dickins, who chairs the British Phonographic Industry (BPI), the record industry's trade body, has been hotly courted by most of the multinational music groups since his ousting from Warner last year. Releases on Mr Dickins' new label, to be called Instant Karma, will be distributed by The Entertainment Network in the UK, and by Sony Music's distributors in other countries. **Alice Rawsthorn, London**

PROPOSED FIFTH TERMINAL FINAL DECISION STILL YEARS AHEAD

Heathrow expansion inquiry will end today

By Sathnam Sanghera and Michael Skapinker in London

The long public inquiry into an application for permission to build a fifth terminal at London Heathrow airport will end today. The inquiry has cost £80m ($129m), most of which has been spent on 33 advocates.

It heard evidence from 734 witnesses and received more than 27,500 individual letters and cards, 95 per cent of them opposing the proposed terminal because it would severely disrupt the lives of neighbouring communities.

The inquiry, required under planning law because of the size of the project and its impact on the surrounding area, has been the longest of its kind. BAA, the airport operator, and British Airways submitted petitions from 35,000 people supporting Terminal 5 on the grounds that it was vital to preserve the UK's leading role in international aviation. The Putney Society, representing residents of an inner London suburb, sent in a petition from 5,000 more people opposing it.

And while the hearings at the Renaissance Hotel at Heathrow are now over, the planning process still has several years to run. Roy Vandermeer, the government-appointed inspector who has chaired the inquiry, will now take two years to consider his recommendations to the government, which could take another year thinking about it. If Terminal 5 is approved, it will not open before 2006 – 11 years after the hearings started.

"Can this possibly be right?" asks Des Wilson, communications director of BAA. While Mr Vandermeer considers his recommendation, inquiry officials will be drawing up their own report on the lessons to be learned, including whether the planning process can be streamlined.

Not everyone involved believes it should be, even though many of the public sessions were attended by only a handful of spectators. Dermot Cox, chairman of the Heathrow Association for the Control of Aircraft Noise, says: "It has gone on for a very long time. But it's very hard to devise another system that doesn't destroy the democratic process."

All sides agree the length of the hearings has had one positive effect: no one can complain that their views were not heard. "We will accept it if it goes against us," says Mr Cox. "The reality is we have no chance of overturning it. We don't have the lobbying power."

Few of the weary lawyers, consultants, government officials and managers who leave the Renaissance Hotel today would want to contemplate further proceedings.

Anna Mathias, a lawyer who has been a part of the Highway Agency's legal team, is equally exhausted. "They spent a day discussing whether dried sewage smells or not," she says with exasperation. "We are all very tired and ill. I don't regret doing it, but I am exhausted."

It seems that the only person who will miss the inquiry without qualification is Heinz Volland, the general manager of the Renaissance Hotel, which has made millions of pounds from hosting the inquiry.

"They have been like a family to us," says Mr Volland. "We will miss them all a great deal."

INTERVIEW BILL GATES

Visionary's Window on the web world

On the eve of the FT's four-part serialisation of his new book, Microsoft's chairman tells **Louise Kehoe** how the digital era will change work, home – and his company

Bill Gates still has the boyish looks and geeky style that were his trademarks 20 years ago, in the early days of the personal computer industry. Yet the combative young man who would dismiss any opinion other than his own as ill-informed is mellowing in middle age. Today, thanks perhaps to recent fatherhood, there is even a hint of self-deprecating humour.

This is a little surprising, in the light of recent events. Over the past 10 months, Mr Gates has had to put up with gruelling legal attacks, since the US Justice Department and 20 states filed an anti-trust lawsuit against Microsoft. The trial has not gone well and he has been demonised and ridiculed in the courtroom and in the press.

At first, he lashed out angrily against government officials and industry critics. Then, he seemed for a while to be weighed down by the constant attacks.

Yet this month Mr Gates was upbeat and relaxed. He has resigned himself to letting the legal process take its course, says a close associate. "He believes that justice will be done eventually." (Mr Gates referred questions about the case to his lawyers). Although the Washington trial cannot be far from his mind, Mr Gates has refocused much of his energies on overseeing Microsoft's software development. Eight months ago he handed over most of the responsibility for running Microsoft's operations to Steve Ballmer, his college friend and closest colleague, who became president of the company.

The change has freed Mr Gates to spend more time doing what he likes best: working closely with Microsoft's product groups, thinking about future directions of technology, writing "visionary" memos that set company goals, and working on his new book, *Business @ the Speed of Thought*.

The title predicts an era in which all businesses will use technology to accelerate the flow of information, making data instantly accessible and enabling knowledge workers to reach decisions and act as fast as they can think.

For many companies, this is the future. But for high-tech companies like Microsoft, it is already here. In the inelegant parlance of the industry, Microsoft and other high-tech leaders such as Cisco Systems and Intel "eat their own dogfood". These companies have adopted what Mr Gates calls the "web workstyle", built on the use of networked personal computers and the internet.

In the web workstyle, "you take it for granted that you can look at every interaction with the customer, every document...you can work together on a spreadsheet with somebody on another continent," from your desktop PC, he says.

At Microsoft, "the sales results are in digital form, so anytime I want to I can look by country, by product, exactly how sales compare to budget, how they compare to other groups". But Microsoft's information systems are not for the exclusive use of Mr Gates and his lieutenants. "When people first started talking about this, they used the term 'executive information' as if there should be a special system so that the executives of a company could go to meetings and everybody would say: 'Wow, these executives sure know what is going on!'"

'We have to show people what is possible, to set higher expectations'

This trickle down approach to information flow is counter-productive, Mr Gates insists. Everybody in the company needs full access to information if they are to be able to make good, quick decisions and contribute creative ideas. "Whether it is customer service, or product design, they need that information."

It may sound like a sales pitch for Microsoft software, but as Mr Gates points out, many companies already have the basic tools. The problem is that they are not yet using the technology to full advantage. "People have been used to information impoverishment within their own companies, so we have to show them what is possible, to set higher expectations."

There has never been any shortage of expectations at Microsoft. And, though the drive for market share is what has led the company into the courts, Mr Gates is determined not to sacrifice its competitive edge.

The biggest challenge, he says, is to look three or four years out and predict the direction of software and computer developments. "How is Windows going to be dramatically better than all of the competitors that are out there?" he asks himself.

Windows' market dominance may already be assured for the next year or two by existing products and new ones already in the pipeline, such as Windows 2000 for business users. The PC operating system currently holds a greater than 90 per cent market share. But what next?

"We have to redefine the way people think about computer operating systems so that they don't even consider Windows to be in the same category as competitors," says Mr Gates. "That is our job." This means constant innovation. The next version of Windows NT, for use on corporate networks, will automatically replicate PC files on a network server and make it easier to distribute software updates to all the PCs linked to a network.

It also means keeping tabs on every would-be challenger. Windows' success is in part due to Microsoft's past vigilance in tracking competition, he says. "The technology business never stops moving and to me it feels as if it is moving faster than ever before," says Mr Gates. He is convinced that if Microsoft does not move fast enough, competitors will gain a critical advantage.

In the middle of the anti-trust trial, where Microsoft is arguing that it is not a monopolist, it may be no wonder that Mr Gates emphasises competitive challenges. Yet he has long been wary of every potential competitor.

"The culture of our company is never to dismiss these things that are coming along," he says. "We were one of those things that came along."

Maintaining Microsoft's momentum in existing markets is only part of Mr Gates's mission. He is also committed to expanding the company's push into new areas, such as internet services.

Hotmail, the web-based free electronic mail service Microsoft acquired late in 1997, will be expanded to offer storage of PC users' text files, calendars, lists of favourite web sites and other important data. "We have a very aggressive plan to roll this out," says Mr Gates. Users will be able to find all the material stored on their own desktop or home computers using any internet link, from any computer.

Microsoft is also pushing ahead with home networking solutions, Mr Gates says. A partnership with 3Com, announced last week, will see the software company co-branding home networking kits for the fast-growing numbers of households with more than one PC.

Eventually, home networking will be built into the PC, says Mr Gates. Users will be able to plug in a new digital device, such as a digital video camera, and it will automatically be recognised by the computers in the home. You may want to put the camera in the baby's room, he suggests, and set the PC to alert you when there is motion, or sound. Already, similar "electronic babysitters" are watching children's playgrounds and letting working parents see how their children are doing, via the internet.

What's next? Computer tablets that might be used for reading electronic newspapers or books are on the horizon, says Mr Gates. Advances in flat screen display technology, combined with software that displays text with greater resolution will soon have us reading long documents and even books in digital form, he predicts. This is all part of what Mr Gates calls the "web lifestyle". Stretching the reach of information technology beyond the workplace, he looks forward to a world in which internet access is ubiquitous and e-mail is the standard means of day-to-day personal communications.

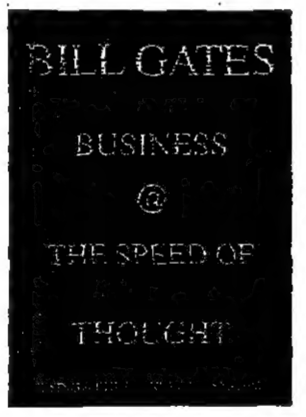
In the US high-tech industry and in US universities, the "web lifestyle" is already prevalent, Mr Gates says. At Microsoft, e-mail is the primary means of internal communications. That has its pros and cons. On the one hand, it encourages open communication and a free flow of ideas. Mr Gates says his own e-mail inbox will frequently contain messages saying: "Hey, if we don't do this thing I want to do, we will be out of business".

"I get a lot of e-mail like that. I will get another piece of mail recommending exactly the opposite, with the same conclusion," he says. Then there are the "bad news" e-mails, which typically start with the words: "In the spirit of bad news travelling fast..." and goes on to explain the situation. Mr Gates encourages such missives. "Eventually, the bad news is going to be known. Better to get it in a time frame where you may still have a chance to be responsive," he says.

Yet the pervasive nature of e-mail within Microsoft has come back to haunt Mr Gates in Washington. Many of the most telling moments in the trial have involved use of e-mail records to contradict witnesses. Does he feel more inhibited in the use of e-mail today? No, he says emphatically: "I do not have a single piece of e-mail of a business nature that I would be embarrassed to have made public.

"Every piece of e-mail I have sent over the past decade has been read by 50 government lawyers. So there is nothing new. I live the examined life."

The final article in our Europe.com series will appear tomorrow and Louise Kehoe's Eagle Eye column will appear next Wednesday



Business @ the Speed of Thought: Using a Digital Nervous System
by Bill Gates
with Collins Hemingway
Penguin Books, London
470pp, £18.99, pub March 25
To order a copy at the special price of £16.99 inc free UK p&p, call FT BOOKSHOP on 0181-324 5511 (+44181-324 5511) Fax 0181-324 5678 (+44181-324 5678)
The first extract will appear tomorrow, then Friday March 19, Saturday 20 and Monday 22. Louise Kehoe will look at how the future is shaping up for Microsoft and for the computer industry on Tuesday March 23.

JOHN KAY

Some truths about lying

Auctions are not just efficient – they also encourage honesty

Politicians call it a terminological inexactitude. Civil servants are economical with the truth. Most people call it a lie. When economists discuss the same thing, they describe it as a failure of incentive compatibility. That probably confirms your suspicion about economists. Still, I hope you will read on.

Many of the processes we deal with in personal or business life are not incentive compatible. In ordinary language, it is not sensible for us to tell the truth. When we apply for a job, we exaggerate our capabilities. Once appointed, we stress how hard it is so that we can impress our superiors when we achieve our targets.

Incentive compatibility is the fundamental problem of economics and management. Why did central economic planning fail in Russia and elsewhere? We say through lack of incentive, but Russia had one of the widest range of incentives in any society – from the privileges of the politburo to the horrors of the Gulag.

The problem was the inability to devise and define appropriate incentive systems. If the Central Planning Bureau could have obtained all the information it needed – about preferences, resources and production capabilities – Stalin's minions could have told everyone what to do. But the prospect of a visit from Stalin's minions prevented the planners getting the information in the first place. Incentive compatibility is this interlinked problem of information and incentives.

Devising incentive compatible mechanisms is not easy. There is one copy of a valuable picture: who is to have it? The efficient solution is that it goes to the person who wants it most. But everyone will say they want it a lot.

We need to ration the opportunity to say what you want. If we give everyone a number of chips to divide between all the things they might ask for, they will save their chips for the things they really want. So we could ask everyone to write down how much they would pay for the picture, and give it to the person who set down the highest amount.

But it does not make sense to write down the maximum amount you are really willing to pay. You do not need to pay as much as you think the picture is worth. You only need to offer a larger amount than anyone else.

The thoughtful bidder will shade his or her bid down. But so, of course, will everyone else. The amount you reduce your bid will reflect your expectations – not of what others think the picture is worth, but of what they themselves will decide to bid. The outcome is chaos. The picture might go to the person who wanted it most, but only by chance. We have a failure of incentive compatibility. Everyone has an incentive to manipulate the information they provide to gain a strategic advantage.

Some clever economists invented a procedure that gets round this difficulty. Everyone writes down their bid. The picture goes to the highest bidder. But the price you pay is the amount of the second highest bid. Under this scheme, you should not bid less than the painting is worth to you. That would reduce the probability that you get it, without reducing the amount you will have to pay. But you should not bid more than the painting is worth, because you might end up with it and have to pay more than you really wanted. The best strategy is to tell the truth. The mechanism is incentive compatible.

This is the way auctions are conducted in a saleroom. The auction continues until all bidders but one drop out. The remaining bidder gets the object – not for what he or she would be willing to pay, but for a fraction more than the amount the second highest bidder was willing to pay.

A triumph of practical wisdom over theory, but a triumph that vindicates the theory, and even shows how necessary it is. The saleroom technique was found to work, and that is why it drove out most other kinds of auction mechanism. The theory tells us why it worked. And the theory also tells us that it works only in certain situations. It is incentive compatible for problems such as the assignment of the picture, where everyone agrees what the object is but people differ in how much they value it. It is not incentive compatible for the allocation of franchises, where bidders are uncertain about the real value of what they are buying. That is why attempts to use the saleroom process for that issue have not given good results.

And the evolution of saleroom procedures is a microcosm of what has happened in economic systems more generally. The reason competitive markets work is because, over time, we have stumbled on a series of processes that achieve incentive compatibility.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

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THE ARTS

BALLET IN PARIS HOMAGE TO JEROME ROBBINS

Steps to thrill

Jérome Robbins found a second home for his ballets, and what he called "a second family" with the Paris Opéra Ballet. So it was fittingly familial that on Thursday night the company should stage an *Hommage à Jérome Robbins* with a programme featuring four of his ballets at the Palais Garnier. The company's respect for him also brought a *Défilé du Ballet de l'Opéra*, unique in my experience in honouring a foreign ballet-master.

So, with the march from *Les Troyens* bringing them into view, we saw what the Book of Common Prayer in somewhat different circumstances calls "the noble army... the glorious company", breasting the rise from the Foyer de la Danse, with the *petits rats* from the school, and then the tremendous legion of the company itself. A grand and ever-thrilling testimony to national pride, and as impressive as Les Invalides or a *quatorze juillet* parade.

It is dancing born of the most sophisticated means, and yet it is utterly pure, utterly expressive and utterly wonderful

There followed an extract from Dominique Delouche's wonderful film, *Comme les oiseaux...* which showed Robbins rehearsing Monique Loudières and Manuel Legris in the first Chopin nocturne of his *In the Night* – his brief comments illuminating the mood – and then the ballet itself, with a stellar cast: Fanny Gaida and Legris as the lovers in first rapture; Elisabeth Platel and Kader Belarbi as the serene lovers; Carole Arbo and Laurent Hilaire as lovers whose passion is all storms.

Robbins said that "dancing is about relationships" – his every work showed this – and exigent though he was as a creator, his ballets told the truth with exact care, and his interpreters were enhanced. For Arbo, beating her feelings against the superb Hilaire, this duet showed her better, more expressive and more touching than I have ever known her before; it was a magnificent exposition of the duet from both artists. Robbins must be smiling in his heaven.

There followed more Chopin piano music: the *Other Dances* first made for Makarova and Baryshnikov, and here set out with ravishing sense of style (mazurka rhythms and poses giving piquancy to the steps) and impeccable grace by Isabelle Guérin and Manuel Legris. Perfect. Perfect, too, and more mysterious, Nicolas le Riche impelled into movement by Martine Bailly's elegant account of movements from Bach cello suites in *A Suite of dances*.

I have seen this solo with different *danseurs* – it was created for Baryshnikov – but Le Riche takes it beyond any previous performer, and almost beyond criticism. Vastly talented, hugely admired, Le Riche retains an integrity, an innocence, that I have only seen once before with a male dancer – the miraculous Yury Solovyov. The ardours of training, the corruptions of the world, seemed not to affect Solovyov, whose dancing in its classic purity and sincerity spoke of something which I can only describe as holy – in the sense that it transcended the world and even the sublimities of academic style.

Le Riche in almost everything he does, communes with the dance itself, with the unerring image he has of the choreography. There results a performance which is untainted in its clarity and in its sense of absolute rightness. Impelled here by Bach and by Robbins' imagination, he is serious, funny, austere, simple, noble. It is dancing born of the most sophisticated means, and shaped in the most sophisticated milieu, and yet it is utterly pure, utterly expressive, utterly wonderful. It is the true act of metamorphosis that comes only with the greatest performers.

Danced with ravishing style and impeccable grace: Manuel Legris and Isabelle Guérin in 'Other Dances'

To close the programme the ever-fresh jokes of *The Concert*, spiffingly done. The cast had great fun. So did we. Isabelle Guérin revealed a zany sense of humour, wore a hat with unfathomable despair, and can dispose of an extra hand with the best. Adorable. Throughout the evening Henri Barda played the Chopin scores most stylishly. This programme, minus the *Défilé* and *Other Dances*, but with the addition of Balanchine's *Concerto Barocco*, is on view until Easter. Check dates – but Eurostar beckons!

Clement Crisp

Programme sponsored by the members of the American Friends of the Paris Opéra and Ballet.

MUSIC IN LONDON PREVIN'S 70TH BIRTHDAY GALA

Shock of the old

A stooped little man in large spectacles made his way gingerly to the podium, took a bow, and gave a downbeat. Nothing he did over the next hour and a half imparted any particular dynamism to the music, nor did he get in the way of its general flow. The uneventfulness of it all came as a shock. Was this really "Mr Preview", the man who brought a dash of informality and humour to classical music a generation ago?

Time has not been kind to André Previn. Whereas most conductors improve with age, Previn's trump cards were always youth and versatility. No one ever pretended he was a great conductor, but he did have an affinity with certain types of music. That affinity was conspicuous by its absence on Monday at the Barbican. Like most gala concerts, the André Previn 70th birthday gala made little musical sense.

It began with a Mozart overture (why?), continued with Beethoven's Violin Concerto and ended with a flung-together selection from two Strauss operas. At least Previn didn't inflict any of his own music on us. While the event did nothing for the London Symphony Orchestra's artistic integrity, it presumably did wonders for the appeal to restore St Luke's church in the City, which should, by 2001, be the centre of the LSO's education programme. Every good cause deserves a favour, and there was no shortage of donors willing to pay £1,000 for a pair of tickets.

Far from showcasing Previn, the programme was constructed around two other "stars", Anne-Sophie Mutter and Kiri te Kanawa. Neither was heard to best advantage. Mutter deserves a conductor who can give more shape to the music. What distinguished her Beethoven on this occasion was her spitfire command of the Kreisler cadenzas, and the tender, if indulgent, voicing of the slow movement. In the *Capriccio* final scene, for which the Countess's harp was thoughtfully placed centre-stage, Dame Kiri seemed oblivious to the meaning of the words. The performance was rescued by Tim Jones's horn solos – after which the orchestral suite from *Der Rosenkavalier* represented a sudden descent into vulgarity.

That orchestras are content with a conductor of Previn's undemanding nature was evident at the first of his 70th birthday concerts last week, pairing Vaughan Williams's Fifth Symphony with Britten's

Whereas most conductors improve with age, time has not been kind to André Previn

Spring Symphony. The Vaughan Williams may have sounded unduly sleepy, but the LSO's strings constructed a finale of seamless radiance. And the Spring Symphony was very fine: Britten's syncopated rhythms and New England Romanticism are second nature to Previn, while the distancing effects of "The Driving Boy" and "The Morning Star" highlighted his care for dynamics. The London Symphony Chorus and Finchley Children's Music Group had been spectacularly well prepared; the soloists – Felicity Lott, Roberta Alexander and John Mark Ainsley – threaded their lines eloquently. Through the mists of Britten's "sweet spring", we could just about discern the Previn of old.

Andrew Clark

Concerts sponsored by Toshiba and Rover Group.

Tragedy played out in black and white

THEATRE

ALASTAIR MACAULAY

Troilus and Cressida
Olivier Theatre, London SE1

There is much about Shakespeare's *Troilus and Cressida* that makes it feel like no other play he wrote. Like no play anybody else wrote, either. For a long time considered one of his problem plays, it has now become one of his most absorbing dramas in live performance. Its number of vivid roles is surely unmatched in Shakespeare's output; and its view of the effects of "wars and lechery" – and of time – make it as pessimistic and poignant as any of his tragedies. To a thrilling panoply of heroism, strategy and warfare, in all of which, uncannily, Shakespeare rises to Homeric scale, he also adds a pathos that is closer to Virgil. The heartbreak of Troilus, young and true and chivalrous; the death of Hector, valiant and unarmed and ambushed: these are piercing.

The National Theatre's new production of *Troilus*, co-directed by Trevor Nunn and John Caird, would be an important effort for two reasons even if it failed. One: this launches, within the National, a repertory company of actors who will tackle six very different works over the coming year. Two: in an era when almost all the most admired Shakespeare productions have been in small spaces, this one is a determined push to make Shakespeare once again work on a large scale. In both respects, mind you, it very nearly does fail. It starts terribly; yet by the end it achieves real victory.

The Nunn-Caird production makes *Troilus* a war of whites (Greeks) versus blacks (Trojans). The whites (dressed in a mixture of Oriental and modern attire) are ruthless schemers; the blacks (in traditional Arab/African dress) are honourable, open-hearted, noble. (Designs are by Rob Howell. His red sand flooring is excellent, his set decent, his ancient-and-modern costumes extremely variable.)

Even the weakest performers have moments of memorable humanity and eloquence

Shakespeare, like (curiously) all Greek authors, is certainly sympathetic to the Trojans and critical of the Greeks; but I have never known the scales tipped so firmly in the Trojans' favour as here, and to make it a black-versus-white drama is one more political element than we need. Nunn and Caird have also done some tinkering with the text that sometimes feels like superimposition rather than clarification. Several of the actors are inexperienced in Shakespeare, and there is much too much of the shouting and rushing about that are the wrong methods to succeed in the Olivier Theatre.

Bit by bit, however, the best bits of the production coalesce; and (a more telling sign of Nunn's and Caird's achievement) even the weakest performers have moments of memorable humanity and eloquence. David Bamber alone, though one of the most accomplished actors onstage, gives a consistently irritating performance: he smothers the role of Pandarus in a busy display of surface acting that is never for a moment believable. As Cressida, Sophie Okonedo traces a large arc from impish delight, bright-smiling and dimpling, to aimless misery. She handles the outer ambiguity and inner conflict of the role with intelligence and force: in a novel touch, the production ends on her alone, lost onstage as if cut off from her moorings. Peter de Jersey likewise makes the role of Troilus a voyage of tragic discovery: though the role has more polish and poise than he yet brings it, his ardour and spontaneity are appealing and, eventually, heart-rending. Jasper Britton makes the constant irony of the mordant, sardonic, boil-ridden Thersites a key element of the play: cowardly but undefeatable, caustic but humane, a canker with moral discernment but no ethics. Roger Allam brings a marvellous urbanity – now witty, now Machiavellian, now soberly wise – to the clever Ulysses: his responsiveness to everyone else onstage is what this kind of ensemble project is all about.

Among the smaller roles, Jax Williams has a notable edge of hysteria and vehemence as Cassandra. And Michael Wildman, as a servant of Paris, is so exemplary in his quiet eloquence that I hope to see him do much more soon. The finest achievement of the production, however, is – despite what I have said about textual fiddling – the way in which it shows new lights in Shakespeare's play. The word "Time", for example: how, again and again, it beams out, from Ulysses discoursing to Achilles about the changeable reputations of heroes, from the plaints of Cressida and Troilus about their enforced separation, and from Hector speaking to Ulysses and the Greeks about prophecies of Troy's fall. In this *Troilus*, time moves fast; and its very speed is part of the tragedy.

Ensemble playing par excellence: David Bamber, Peter de Jersey and Sophie Okonedo — Alastair Muir

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen in a revival of Pierre Audi's staging co-directed by Saskia Boddeke; Mar 18, 20

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Der Rosenkavalier: by R. Strauss. Conducted by Jiří Kout in a staging by Götz Friedrich; Mar 21

BOLOGNA

OPERA
Teatro Communale
Tel: 39-51-529999
La Cena delle Beffe: by Giordano. Conducted by Bruno Bartoletti in a revival of Liliana Cavani's staging, first seen in Zurich four years ago. The cast is led by Daniela Dessi and Alberto Cupido; Mar 18, 20, 21

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Pierre Boulez in works by Stravinsky, Debussy and Berlioz, with harp soloist Sarah Bullen; Mar 18, 20

DRESDEN

OPERA
Semper Oper
Tel: 49-351-48420
Ariadne auf Naxos: by R. Strauss. Conducted by Colin Davis in a new staging by Marco Arturo Marelli. Cast includes Susan Anthony and Jon Villars; Mar 17, 19, 22

LONDON

CONCERTS
Queen Elizabeth Hall
Tel: 44-171-960 4242
● London Mozart Players: conducted by Matthias Bamert in a programme of works by Mozart, with tenor Mark Tucker; Mar 18
● London Sinfonietta: Higglety Pigglety Pop! and Where the Wild Things Are, conducted by their composer Oliver Knussen; Mar 17

Royal Festival Hall
Tel: 44-171-960 4242
Philharmonia Orchestra: conducted by Benjamin Zander in a selection of waltzes by J. Strauss, and Mahler's Symphony No. 5; Mar 18

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Mar 18

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Bruckner; Mar 17
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia; Mar 20
● Stuttgart Radio Symphony Orchestra: conducted by Yutaka Sado in works by Gershwin, Chopin and Prokofiev. With piano soloist Ivo Pogorelich; Mar 18

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Katya Kabanova: by Janáček. Conducted by Paul Daniel in a staging by David Pountney, with sets by Stefanos Lazaridis and costumes by Marie Jeanne Lecca; Mar 17, 21

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Yuri Temirkanov in works by Shchedrin and Stravinsky, with violin soloist Hilary Hahn; Mar 18, 19, 20

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
The Treasury of Saint Francis at Assisi: around 70 masterpieces of medieval and Renaissance panel painting, gold, textiles and manuscript illuminations, are joined by 30 loans. Includes pivotal works in the development of the early Renaissance; to Jun 27

Whitney Museum of American Art
Tel: 1-212-327 2801
Ray Johnson (1927-1995): Correspondences. First major museum show about the artist who was a progenitor of pop and mail art. The 150 works on display include paintings, collages and mailings from Johnson's New York Correspondence School; to Mar 21

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo, Galina Gorchakova and Olga Borodina; Mar 18, 22

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Lizzie Borden: by Jack Beeson. New production conducted by George Manahan in a staging by Rhoda Levine, with Phyllis Pancella in the title role; Mar 18, 21
● Madama Butterfly: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November, with sets by Michael Yeargan and costumes by Constance Hoffman; Mar 17, 20

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Magic Flute: by Mozart. Conducted by Friedemann Layer in a staging by Robert Wilson; Mar 17, 20, 21

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
www.opera-de-paris.fr
La Clemenza di Tito: by Mozart. Conducted by Ivor Bolton in a staging by Willy Decker with designs by John MacFarlane. Cast includes Theo van der Walt and Christine Goerke; Mar 18

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Berwald and Brahms; Mar 18, 19, 20, 21

THE HAGUE

EXHIBITION
Gemeentemuseum
Tel: 31-70-3388 1111
Silver from the time of the United East India Company: display of silver manufactured in the 17th and 18th centuries in former Batavia, by Dutch and other European silversmiths; to Mar 21

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Vienna Philharmonic Orchestra: conducted by Riccardo Muti in works by Mozart; Mar 17
● Vienna Philharmonic Orchestra: conducted by Riccardo Muti in works by Schubert and the Strausses; Mar 18

VIENNA

EXHIBITIONS
Austrian Museum of Applied Arts
James Turrell: retrospective of the American artist including two site-specific installations, photographs and drawings; to Mar 21

Osterreichische Galerie Belvedere
America: The New World in 19th Century Painting. Dealing with the period from the Declaration of Independence in 1776 until the US entry into World War I, this show traces the history of the country through the eyes of its painters; from Mar 17 to Jun 20

OPERA
Wiener Staatsoper
Tel: 43-1-51444
Cavalleria Rusticana: by Mascagni/Pagliacci by Leoncavallo. Simone Young conducts a staging by Jean-Pierre Ponnelle; Mar 21

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

10,001: a stock odyssey

As the Dow breaks briefly through five figures, **Richard Waters** considers the historic significance of the great bull market

Like the passing of the Millennium, the moment the Dow Jones Industrial Average broke through 10,000 yesterday meant everything and nothing. It represented just another small movement in share prices. Other indices closed *without registering* anything special. The world looks pretty much the same as it did before. But all, somehow, is different.

So, just as the end of the century will be an occasion for taking stock and navel gazing, so this an apt moment to pause and consider how far the stock market has come, and how fast.

In the popular imagination, the Roaring Twenties still remain the great era of stock market excess – a perception heightened by an crash that saw share prices fall 89 per cent from their peak to the low point in 1932. How can anything in modern times compare?

Now look at the history of the last, and biggest, bull market of the dying century. The Dow has risen from 717 at its low point in 1982 to brush through 10,000 briefly – a rise that far outstrips the 450 per cent rise of the 1920s bull market.

The Dow rose more than three-fold between 1925 to 1929 as the ghosts of the first world war and early industrialisation were blown away. The modern age, and a new economy, had been born, symbolised by the mass production of the radio and the automobile.

Seventy years later, another new economy is being born, this one symbolised by the personal computer and the internet. Buoyed by this new-era thinking, the Dow has risen two and a half times since 1995. And this rise has been accompanied by a big shift in investment habits: the number of households which own mutual funds has risen from under 10m at the start of the bull market to 40m now; "day-trading" – the frequent buying and selling of stocks by individuals – has become a national spectator sport.

A shift of this magnitude has the power to drown out all naysayers and turn skeptics into true believers. Stung by the reaction to his warning of "irrational exuberance" in late 1996, Alan Greenspan, chairman of the Federal Reserve, has restricted himself since to observing that the lofty level of share prices implies huge confidence in the future growth of corporate profits.

Warren Buffett, the most widely admired and copied investor of the age, ventured the view shortly afterwards that the stock market had become "overheated". A year later he, too, backed away from any suggestion that share prices were riding for a fall with the claim that he had "absolutely no view on that matter".

The long bull market has also blown away some of the doubts of foreign investors, who took a long while to be persuaded that US companies had broken into a new era of heightened competitiveness.

In 1997, they rushed back in force: $60bn of foreign money poured into US stocks in that year, more than the previous eight or nine years combined, according to David Strongin at the Securities Industry Association. But it has all been too little, too late: foreigners still own less than 8 per cent of the world's biggest and most successful stock market.

Behind this bull market lie some profound shifts in both investor behaviour and corporate and economic performance. And while these point to fundamental strengths that have supported the rise in prices, they also hint at the weaknesses that may eventually bring it to an end.

Take the remarkable revival of the US economy and, more particularly, the corporate sector.

The Dow Jones Industrial Average, conceived 103 years ago, has always acted as a mirror of the changing make-up of US industry. Initially, its members bore names like American Cotton Oil and US Rubber – though one, General Electric, has remained constant, in name at least.

The Dow's rise since the latest bull market began bears testimony to the way that a handful of American companies have come to dominate a new range of industries. Since the beginning of the 1980s, companies such as Coca-Cola, Merck and Walt Disney have risen 40-fold while other Dow members, including Caterpillar and General Motors, have risen less than three-fold. The new stars are the champions of industries that rely less on deploying large amounts of physical capital than on directing the power of their brands and their intellectual capital.

Even the Dow's reshuffles have not been fast enough to keep pace with the latest changes in US corporate life. The information technology revolution that has followed the widespread adoption of the personal computer is reflected better in the Nasdaq composite, an index which tracks stocks on the world's second-biggest market, including Microsoft and Intel: that index has risen by a factor of 15 since 1982, compared with less than 14 for the Dow.

That also helps explain why the Standard & Poor's 500 index, a broader and more representative measure than the Dow, has outperformed its rival. Technology companies now make up over 20 per cent of the S&P500.

The companies that have come to dominate the Dow and the S&P500 exemplify one of the underlying virtues that has characterised the revival of the US corporate sector. *With relatively little* need for capital and high profit margins, they have helped to boost the overall yardsticks that are used to judge the return on capital, and profitability, of Corporate America.

But the relative lack of *demand for capital from* such companies has had a secondary effect. The clamour for shares in companies like America Online – the biggest star of the online era – *has driven its market* value to more than $100bn. Yet companies like AOL are not, in general, printing many new shares: they simply don't need the money.

The result has been a valuation spiral, as the multiples of book value or earnings that investors are prepared to pay for these digital-era companies have lost touch with historical precedent.

The characteristic is most marked with companies such as AOL, but is not confined to them. At earlier stages of the bull market, notably in 1987, companies were taking advantage of *high share prices* to raise money by issuing new equity. This time, they are doing the opposite: in the year to the end of September, US companies retired a net $155bn of equity, largely by share buy-backs.

The inexorable laws of mathematics cannot be put on hold indefinitely, however. The US economy is enjoying its longest-ever peace time expansion, and has risen by an average 3 per cent a year since the second quarter of 1991. Corporate profits, over that time, have grown by a compound rate of over 10 per cent a year – and share prices have risen 17 per cent a year.

To expect a continuation of these trends would mean believing that company earnings will eat up an ever-larger share of the economic pie, and that investors will attribute an ever-higher value to those earnings – even though, on both measures, the stock market is in uncharted territory now.

It is just possible investors might do this, since there has been a profound shift in the behaviour, and expectations, of ordinary shareholders. The average American household now has more than a quarter of its wealth in the stock market: more than a half of its financial *assets are in the form of* shares. Fifteen years ago, with the stock market suffering the after-effects of 1970s stagflation, equities only made up 8 per cent of total *household assets*.

Behind those numbers lies a revolution in the popular psyche. Its effects can be seen in the feel-good consumer boom that has made the US *an island of prosperity* in a troubled world. And it shows up in poll after opinion poll showing that Americans are happy with their economy and confident about its future.

But while this optimism has helped fuel the impressive economic expansion, it has also given rise to some deeply unrealistic expectations. If, as investment theory holds, the current level of share prices is an expression of future earnings, then American companies should be just on the threshold of a glorious new era of higher productivity and profits, not at the end of one.

"The bull market has made everyone look like a genius," says Jim Angel, professor of finance at Georgetown University's business school. Ordinary investors see ever-rising share prices as proof their earlier wisdom – and a reason to keep buying. But rather than celebrating high share prices, they should fear them.

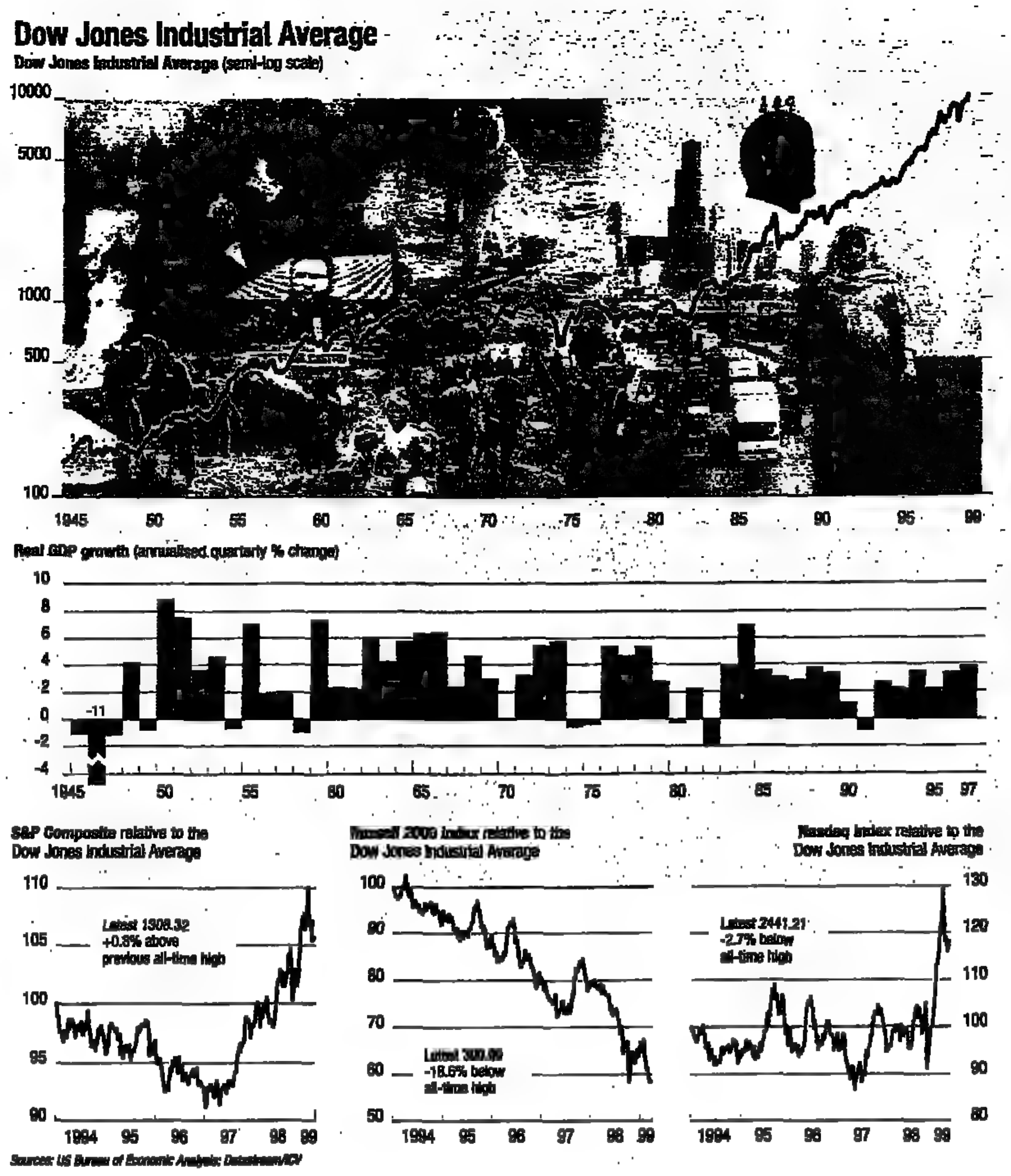
"Every month, when I put money into my pension fund, I buy fewer shares because prices have gone up again," says Mr Angel. Normally, when the price of a commodity goes up, consumers do not dance in the street in celebration.

This psychology perhaps explains two of the most striking aspects of the recent spurt. An ever-smaller group of companies is leading the market higher, and more investors are betting that, because these companies' shares have outperformed, they will continue to do so.

Largely forgotten in the celebrations on Wall Street yesterday were the many companies whose shares have not been setting records. In fact, more than half the shares in the S&P500 are at least 10 per cent below their records. Small companies, represented by the Russell 2000 index, have missed the party altogether. That index is over 40 per cent below its peak.

In this narrowing stock market, it has paid to back the winners. Investors have placed their bets on an ever-shrinking group of big names. This so-called momentum investing, the stock market equivalent of jumping on a bandwagon, has become the most widely practiced investment technique of the day.

With the bull still in full charge, it seems difficult to call an end. But it is worth remembering that, after the crash of 1929, it took the Dow Jones Industrial Average another 25 years to return to its earlier peak.



Sources: US Bureau of Economic Analysis; Datastream/ICV

MARTIN WOLF

The German disease

Europe's biggest economy is in dire straits and its government is locked into the mindset that created the mess to begin with

Oskar Lafontaine, Germany's former finance minister, had a gift for making enemies. He irritated the Americans by demanding exchange rate target zones; he infuriated the European Central Bank by calling for lower interest rates; and he enraged German business with plans for higher taxes. In the process, he made the German government unworkable. He had to go.

Gerhard Schröder, the chancellor, now has a chance to start afresh, but has also lost his best excuse for failure. Hitherto, however, he has shown few signs of knowing how to inject dynamism into the economy or deliver more jobs to the people. He and *his new team will* need to show far more imagination.

Germany has two complementary weaknesses: growth is too slow; and what growth there is generates too few jobs. Even France is doing better, on both fronts. French gross domestic product rose by 14.3 per cent between the trough of the cycle in the first quarter of 1993 and the last quarter of 1998, while Germany's output expanded only 11.4 per cent over the same period. Moreover, in the fourth quarter of last year, German GDP shrank by 0.4 per cent, while French GDP rose 0.7 per cent. France is also generating more jobs per unit of output (see chart). Between 1992 and the *last quarter of last year*, the number of people employed in Germany per unit of GDP fell 13 per cent; over the same period it fell only 8.5 per cent in France. Since early 1993, French employment rose 5 per cent, while German employment shrank 4 per cent.

How can even France be doing better than Germany? *On recent* growth, one answer is that Germany is more exposed to shocks in emerging markets than France: exports to Asia and Russia accounting for 2.5 per cent of German GDP last year, but only 1.6 per cent of French GDP. On growth since 1993, Germany had much less excess capacity after its post-unification boom than France did at that time. But, on the more fundamental topic of jobs, the truth is that the relative flexibility of the French labour market has improved.

There are two possible responses. The first is to note that Germany's rapid increases in labour productivity show it needs faster growth in aggregate demand than France, to compensate. This helps explain the urgency of Mr Lafontaine's calls for lower interest rates. But with its "one size fits all" monetary policy, there is little reason to expect the ECB to respond.

The *second and more* illuminating response is to recognise how inappropriate – but revealing – Germany's rapid productivity growth is. Remember that the most important *event in* Germany's recent economic history was unification. This brought in many new workers but little useful capital equipment. Very roughly, the ratio of the potential labour force to the useable capital stock rose by up to a quarter.

A sudden increase in the labour force is both a great opportunity and a great challenge. It is an opportunity because it permits faster economic growth. It is a challenge because that growth will only follow changes in relative prices. In particular, the real cost of labour should be driven down by the excess supply of labour and the return on capital correspondingly rise. These changes should, in turn, generate an investment boom and substitution of labour for capital. Not only should the rate of growth rise, but the growth in labour productivity should fall, as output becomes more employment-intensive.

This is a superb description of what has not *happened in Germany*: according to the Organisation for Economic Co-operation and Development, labour productivity growth, far *from being slower than* before unification, has risen from 1.2 per cent a year to over 1.6 per cent, since 1992: far from there being a sustained post-unification boom, investment has been weaker in the post-1992 recovery than in the two *previous cycles; and far from* an improvement in economic growth, it has been lower since 1992 than in the 1980s.

The overall outcome has been an appreciable *reduction in the number of* people employed, not just in eastern Germany, but in both parts of Germany: in the last quarter of 1998, the number of people employed in *west Germany was more* than 1m less than in early 1991; in east Germany it was down 1.7m. This is a textbook account of how not to adjust to a big increase in the labour supply.

Why has Germany done such a miserable job of adjusting to unification? The best answer is provided by Mancur Olson's book on economic growth*. His argument is that stable societies will, over time, throw up a crop of growth-destroying distributional coalitions. Olson says the UK's slow post-war growth is explained by the persistence of pre-war coalitions. For Germany, by contrast, defeat was a coalition-destroying shock – one that Ludwig Erhard's reforms then exploited*.

Now, however, Germany has powerful interest groups aligned against change. Allowing the labour market adjustment to work through the economy would have sharply reduced the real wages of west Germans. It would also have allowed producers located in east Germany to undercut those in west Germany. These possible sources of competition were eliminated by the cartelisation of west German labour markets and the direct introduction of west German regulations and social partners into the east German economy.

What has this to do with Mr Schröder? The answer is simple. The government he heads represents the distributional coalitions against adjustment. It is hardly surprising therefore that his government has rolled back even the modest structural reforms of its predecessor.

Thus, the government has reversed the easing of employment protection and the tightening of sick pay provisions; it has extended the law forbidding the sending of construction workers to Germany at other than German pay rates; and it has made the compulsory *extension of wage* agreements in construction easier. But reversal has happened in many other areas, from health reform to deregulation. Moreover, by *putting forward tax changes* that big business loathes, the government has damaged confidence, so threatening investment.

The question is whether *such a government can turn* the post-unification disaster around. This is not a problem the ECB will try to solve. It is far from clear it could. There must be a *micro-economic response as* well. Broadly speaking there are two possible solutions. One is agreement among the "social partners". The second is liberalisation and increased competition.

Under the former, corporatist approach, real wages would, by agreement among the social partners, rise very slowly over a long period. This would make growth more employment-intensive and induce more investment. But, quite apart from the huge domestic obstacles to reaching such an agreement, the government cannot depend on the ECB's responding with lower interest rates.

Under the liberalising alternative, a left of centre German government would introduce even more radical reforms than those it has already reversed. This will not happen. It is all very well for Tony Blair to suggest it should. But even his government is merely the beneficiary of its predecessor's efforts.

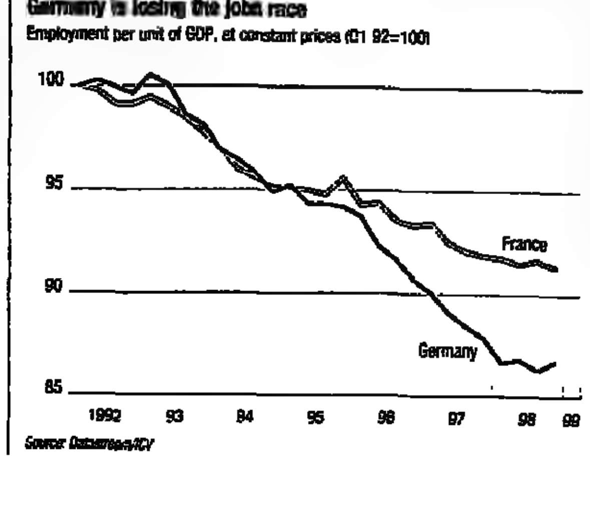
Mr Lafontaine's departure has solved nothing. Germany's difficulties are not of his making, but reflect the inability of an evolved welfare state to make the adjustments demanded by unification. The present government represents the coalition against that adjustment. There is no reason to suppose Mr Schröder has a better answer than Mr Lafontaine to the dilemmas it consequently confronts.

**The Rise and Decline of Nations (Yale University Press, 1982).*

Martin.Wolf@ft.com

Germany is losing the jobs race

Employment per unit of GDP, at constant prices (Q1 92=100)



Source: Datastream/ICV

LETTERS TO THE EDITOR

UK must not bow to FedEx threat

From Mr Christopher Foyle.

Sir, Federal Express's threat to end services to *Prestwick Airport if denied* unilateral onward rights to Europe ("FedEx threatens curb on flights to Scotland", March 16) is an attempt to blackmail the UK government *at the expense of the* UK's own aviation industry.

Federal Express can already operate the services it is applying for by chartering European airlines, in the *same way European operators* are required to charter US carriers to operate in the US domestic market. If *FedEx did withdraw, its services* would be quickly replaced by other operators.

The UK government can only achieve the best deal for UK industry by pressing *for a reciprocal "open skies"* agreement with the US. This would allow British carriers to compete on a level playing field internationally, creating many more British *jobs in our successful aviation* sector. Unilaterally granting onward rights to a particular US carrier would *severely hamper all attempts* to negotiate effectively on behalf of UK passenger and cargo airlines in the current negotiations.

Christopher Foyle,
chairman,
British Cargo Airline Alliance,
100 Rochester Row,
London SW1P 1JP,
UK

Oskar Lafontaine, that most rare breed

From Ms Janet Berridge.

Sir, As a British citizen who lived in Germany from 1973 to 1995, I would like to modify the negative image of Oskar Lafontaine, the former finance minister.

He is, in my opinion, that most rare breed: an honest politician. In 1990, after the fall of the Berlin Wall, when many politicians, most notably Helmut Kohl, the then chancellor, were promising a land of milk and honey (not to mention bananas, fast cars and consumer goods) to their "brothers and sisters" in eastern Germany, Mr Lafontaine, *as the SPD's candidate* for the office of chancellor, was the only person predicting the truth and telling people what to expect – a tough time, hard cash from the west flowing to the east, many years of upheaval and so on. The people in the east wanted to hear a more positive message; those in the west thought he was warning them that under a socialist government they would have to foot the bill for 40 years of socialism in the German Democratic Republic.

The outcome was that he lost the election, but the *Christian Democratic Union/* Christian Social Union still had to introduce the "Solidarittszuschuss" or "solidarity levy" and poured millions and millions of D-Marks into a bottomless pit in the east. Mr Lafontaine is a man of vision, even if his ideas may seem radical. I will watch with interest developments in Europe over the next few years – "Red Oskar" may yet be proved right.

Janet Berridge,
39 Oaks Park,
Canterbury CT2 9DP, UK

Schröder's political impotence plain to see

From Mr Rolf Joachim Siegen.

Sir, Regarding Germany's future direction, you ask: "Does Mr Schroder now have the chance to impose clarity and purpose on his government"? ("Lafontaine's departure", March 12). This is not likely.

On one hand, in spite of the political petting between the Social Democratic Party (SPD) and the Greens, Gerhard Schröder, the German chancellor, finds himself unable to consummate this union. There is little hope that he will be able to co-operate with his Green partners for the benefit of the nation. The Greens have proved themselves to be highly unreliable. Their recent party convention in Erfurt is testimony to their political immaturity. No concepts, no characters, no leadership. Translated: a continuation of this political infatuation for the next three and a half years will result in endless frustration.

On the other hand, Mr Schröder cannot simply climb into the back seat of the car with the Liberals or the Conservatives (which even so might be the best solution for Germany). Be assured his own party would resist such a radical shift.

This he cannot risk. First, many Social Democrats would feel embarrassed by his sudden change of partners. Second, members of the SPD would face the humiliation of having to create a new liaison with their former opponents. Finally, which of these parties would dare to join the adventurer Schröder in a new political embrace? With his personal style of putting showiness ahead of political substance, can this inconsistent and unstable man function as the leader of a centre government?

Mr Schröder's political impotence is plain for all to see; from now on others will determine the rules.

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FINANCIAL TIMES

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Wednesday March 17 1999

Cleansing the EU stable

The high drama of the resignation of the European Commission is already a thing of the past. Given the sweeping criticism levelled by the "wise persons" invited to investigate allegations of mismanagement and fraud, it was unavoidable. Recriminations will continue, but it is up to the leaders of the European Union's member states to focus rapidly on the future.

They must urgently choose a new figure to head the EU executive, with a clear mandate to reform it, and restore confidence in the institution. Above all, the new president must revive a sense of political responsibility and accountability in the Brussels bureaucracy, found so lamentably lacking by the experts.

It would be disastrous for the member states to embark on a period of extended horse-trading for the top job in the Commission, as they have done all too often in the past. Whatever the criticism of the Commission, ultimate responsibility for its actions, and mismanagement, lies with the member states. They chose every one of its members. They imposed on it tasks for which it lacked both resources and qualifications.

The EU leaders must recognise that by horse-trading for jobs, the concept of merit has been undermined. It is a short step from there to the sort of favouritism for which some Commissioners stand condemned.

Jacques Santer, the outgoing president, was chosen for the wrong reasons: as prime minister of tiny Luxembourg, he lacked any political clout. He was no visionary, unlike his predecessor, Jacques Delors. That suited the then British government of John Major, which wanted to curb the power of the Commission. The consequences of that decision are now all too obvious.

The danger is that the heads of government will prevaricate, and leave the present Commission in office until they can agree on a new one. Or they will appoint a caretaker administration to serve until the end of the year. In the present circumstances, any such delay would be wrong. The Commission has rightly resigned – a belated recognition of political responsibility – and should now be swiftly replaced.

A president could and should be chosen, ideally at next week's EU summit in Berlin. The names of all the main contenders are known. Romano Prodi of Italy and Javier Solana of Spain are both good candidates.

Whoever is chosen should then be given – for the first time – a degree of latitude in selecting the future Commission. Each member state could, for example, submit a shortlist of names to choose from. That would ensure that the dismal practice of sending pensioned-off politicians to Brussels would cease. It would also greatly increase the responsibility and independence of the commissioners, and the responsibility of the president for his team.

Whatever happens, the European parliament has to approve the new team. That institution flexed its muscles this week, and forced the Commission from office. But it is not just the Commission which must beware. The member states must also cope with new democratic curbs on their closed-door dealings. That is a very good thing.

Dow triumphant

Call it mere superstition or numerology: but the sight of Dow Jones Industrial Average at 10,000 – however briefly – has a peculiar weight for anyone in the business of capitalism. In 1982 the index was at 1,000. Back in 1941 it was at 100. How long before it reaches 100,000?

If that seems absurd, consider one question. Who, back in 1982, would have bet on the market rising tenfold in 17 years? From at least 5,000 onwards, the consensus has been that the market was fully valued: yet here we are.

History, though, is a highly unreliable guide. Reason suggests that over time, equities can rise only at the rate of nominal GNP. The value of shares depends on dividends, which in turn depend on profits: and profits cannot indefinitely increase their share of the economy.

It might therefore seem ominous that since 1982, the Dow has risen tenfold while US nominal output has risen only 2.5 times. But the curious fact is that in the course of this century, the whole economy has grown three times as fast as the Dow.

This may partly reflect the Dow's composition. All indices are imperfect, the Dow no less than others: biased towards the past, and away from high-tech industries. But there is a more fundamental point. For long stretches of the 20th century, US equities have been a truly dreadful investment.

At the beginning of 1929, the Dow stood at 300. It did not regain these heights until 1954, by which time US nominal output had almost quadrupled. Again, the Dow first reached 1,000 – or very nearly – in 1965, and was still there in 1982. The culprit this time was inflation, which did not prevent the US economy growing in real terms but gave investors 17 exceedingly lean years.

The subsequent 17 fat years have more than made good the damage. But the conclusion is clear: that while the stock market is theoretically related to the real economy, the swings in equity values are too violent to make the link reliable even in the longer term.

In other words, these are uncharted waters. The factors pushing up US equities in recent years are well known: the apparent conquest of inflation, the saving habits of middle-aged baby boomers and the discovery by corporate management of shareholder value. Each of these is powerful, and none can be relied upon. Doubtless, the Dow will reach 100,000 one day. Not all of us will live to see it.

Latin exuberance

Fear of financial meltdown in Latin America has quickly given way to a new round of exuberance on the continent's stock and bond markets. Over the past two weeks the average yields on Latin American international bonds have fallen by about 1.5 percentage points and stock markets have rallied strongly.

The upbeat mood at this week's conference of the Inter-American Development Bank in Paris has been in sharp contrast to the gloom of last October's IMF gathering in Washington.

But although there are grounds for encouragement, Latin America's financial crisis is far from over. Its markets could still give the unwary nasty shocks.

The optimism – and the risk – begins with Brazil. Hopes are growing that its government will have the political strength to stick to its deficit cutting agreement with the IMF, renegotiated earlier this month. Its new central bank governor, Arminio Fraga, inspires confidence with international fund managers. Yesterday the IMF confirmed Brazil's private sector is in much better shape than in the crisis-hit countries of Asia.

Foreign investors had five months to prepare for the devaluation of the Real in January and some are again beginning to commit cash to the country's markets. As a result, yields on Brazil's bonds have dropped by 2 percentage points in the last two weeks, reducing the gap between it and Mexico and Argentina, with much healthier economies. Brazil could soon be issuing new paper to foreign investors again.

Brazil's problems, however, are far from over. Its interest rates are still too high for comfort. With inflation rising, trade unions are demanding what would be a lethal return to wage indexation. Its economy will contract by an estimated 3.9 per cent this year, dragging Latin America into recession. Across the region, prices of export commodities such as oil, coffee, sugar and soya are at long-term lows. Slower growth elsewhere hampers manufactured exports. Bankers believe that Ecuador and Venezuela might have to reschedule their foreign debts.

In recent months, investors have shown that they are increasingly prepared to distinguish between individual Latin American countries when they decide where to put their money.

They are right. In such a volatile and uncertain climate, careful scrutiny will be even more essential.

Europe in deadlock

Peter Norman says that the mass resignation of the European Commission may prove positive for the EU

Jacques Santer was yesterday a hurt, petulant and angry man seeking comfort in the past.

The man who went from being president to acting president of the European Commission overnight lambasted the damning report that forced the mass resignation of the EU's 20-member executive. The report, on fraud, mismanagement and nepotism within the commission, was "wholly unjustified in tone", Mr Santer said.

The 61-year-old former prime minister of Luxembourg painted himself a victim of press harassment, the captain of a generally successful enterprise, and a man who was "whiter than white".

Elsewhere in Brussels, another increasingly influential individual was making the most of perhaps the most extraordinary day in the 42-year history of the European Union. José María Gil-Robles, president of the European Parliament, called on the Santer commission to go, and go soon.

Mr Gil-Robles wants EU member states to nominate a new commission president quickly so that the European Parliament may be consulted before its dissolution in May. He would also like EU governments to put forward the remaining commission members for parliament's approval before campaigning begins for the parliamentary elections in June.

The reactions of Mr Santer and Mr Gil-Robles to Monday night's dramatic resignations could not be further apart. In their way, they encapsulated the chasm between the disgraced commission and the rest of Brussels. That divide is about more than who is to blame and what should be done next. Broader questions are at stake. Was this, as one commissioner suggested, a "disaster" for the EU? Will it delay further the essential but intractable reforms of the EU's finances? More generally, will it change the balance of power in Europe between the executive commission and the European Parliament?

With few exceptions, commissioners indulged in self-justification and cried "unfair" against the five-man committee of experts that produced the toughly worded report over allegations of wrongdoing at the heart of the EU's executive branch.

Karel van Miert, the competition commissioner and one of the stars of Mr Santer's team, said the report was "unjust and incorrect" when it said commissioners lacked a sense of responsibility. "Most of my colleagues took their responsibilities very seriously," he pleaded.

Sir Leon Brittan, the trade commissioner, was one of the few to warn of the dangers that could arise from leaving a vacuum at the centre of the EU's executive body. Bitter trans-Atlantic disputes over bananas, aircraft, and hormone-treated meat would be left unattended. "This is a disaster and it requires speed and ruthless determination to deal with it," he said.

But what appeared a disaster to Sir Leon seemed more like a salutary shock to others.

Wilfried Martens, leader of the Christian Democrats in the European Parliament, described Monday's events as "an opportunity for a new beginning and a new culture of political responsibilities and democratic accountability in the commission".

Mr Gil-Robles himself warned against "exaggerating the situation". And Gerhard Schröder, the German chancellor, who passed through Brussels yesterday, played down suggestions that Europe was in crisis. He said he was hopeful that a successful EU summit in Berlin next week would show that Europe was capable of action despite the commission's upset.

The German EU presidency was quick to sound a "business as usual" note, similar to that adopted after last week's resignation of Oskar Lafontaine as finance minister. Early yesterday Bonn announced that the commission should stay on in a caretaker role to deal with the ambitious package of reforms known as Agenda 2000, intended to make the EU fit for enlargement.

'This is a disaster and it requires speed and ruthless determination to deal with it'

Mr Schröder made clear that once he had the Agenda 2000 reform of the EU's finances, farm and regional policies under his belt, he would press ahead "expeditiously" with finding a new commission and commission president. He declined to discuss the timing of any decision, though he acknowledged that European leaders were already discussing candidates. In the meantime, the expertise of the commission's officials and its technical work remained unimpaired, he said.

Although the commission's resignation comes at an awkward moment, the Agenda 2000 negotiations are relatively far advanced with broad agreement on the crucial farm package. Indeed, Mr Schröder may be able to turn the debacle in Brussels to his advantage by warning those attending next week's Berlin summit that failure to agree on the outstanding Agenda 2000 issues would really damn the EU in the eyes of world opinion.

Most of the EU's work in progress should not be affected by Monday night's events. The negotiations with five applicant countries from eastern Europe and Cyprus have been proceeding along tramlines since last November. Hans van den Broek, one of the foreign affairs commissioners, insisted that the commission's mass resignation "should not delay the enlargement".

The commission has only a tangential influence over the euro, the single biggest EU achievement during the life time of the Santer presidency. Despite yesterday's weakness on exchange markets, the value of the single currency is more likely to hinge on the policies of the independent European Central Bank rather than on disclosures of malpractice or mismanagement in the EU's executive body.

Nevertheless, the upheaval marks a shift in the long-running saga of institutional rivalry in the European Union. The good news is that greater accountability and democracy is coming to the technocratic institutions created, 42 years ago, by the EU's founding fathers.

The good news for Europe's citizens is that greater democracy is coming

The European Parliament is evolving from a curious, multi-tongued body that is generally ignored by voters, into an elected body which is demanding to be taken more seriously. The evolution has been under way for some time. Parliament's impact has grown as a result of the collective decisions of the EU member states. In particular, the 1997 Amsterdam Treaty, which should be ratified soon, will give the European parliament power to confirm or veto the candidate for commission president proposed by the EU's 15 member states. Up to now, parliament had only been "consulted" on the appointment.

The sudden increase in parliament's clout reflects a development familiar in the history of democratic assemblies: a row with the executive over taxing and spending. It was parliament's refusal to approve the 1996 EU budget, and its determination to examine the commission's financial competence, that triggered the present drama.

But while greater parliamentary scrutiny might be the result, some observers in Brussels still worry that the mass resignations could upset the carefully balanced institutional structure of the EU.

The union is a unique conglomeration of independent states that have pooled sovereignty to a greater or lesser extent in specific areas of policy. Guiding the EU involved an uneasy concert between an independent commission, the directly elected parliament and the member states. The commission enjoys considerable autonomous power in the areas of competition and agricultural policy, and great influence from its monopoly to make proposals in the EU. But parliament's powers are growing, while those of the member states, acting through the various ministerial councils and the EU summits, remain predominant.

The big institutional question facing European heads of government as they consider replacing Mr Santer and his team, is whether or not to bolster the independence of the commission by providing it with the most capable executives available.

The commission can be an awkward partner, as highlighted by its current dispute with a group of countries headed by Germany, Britain and France over the future status of duty free sales. Mario Monti, the commissioner in charge of the duty free negotiations, has refused to extend the life of duty free sales beyond the planned expiry date of July 1. Unless he can be persuaded otherwise, the present regime will expire as planned.

On the other hand, the decline and fall of the Santer commission should serve as a warning against the appointment of a weakly led executive.

Mr Schröder yesterday gave some encouragement to those hoping that the member states would approach the issue of the new commission president with the broad interests of the EU in mind. Last month, he quipped that the next commission president would not be a "conservative from a small country" – widely interpreted as a jibe against Mr Santer. Yesterday, he seemed to be keeping an open mind, saying that the successful candidate would not necessarily have to be a Social Democrat from a big country. Instead, he described the ideal candidate as a convinced European; with broad political experience, ideally connected with the EU; with economic and administrative expertise and absolute political integrity. Such a paragon could ensure a proper balance between the commission, parliament and the member states.

With hindsight, Monday's events may come to be seen as a positive episode in the development of the EU. But Europe still has a long way to go. "In economic and monetary terms Europe is a giant in the world," one of the self-discharged commissioners mused yesterday. "But politically we are very young".

OBSERVER

Praying for a Recovery

There's an evangelical flavour to Credit Suisse First Boston's effort to help foreign investors recoup – eventually – some of their losses in the domestic debt securities on which Russia defaulted last summer.

The Nikitsky Recovery Fund is named after the cathedral near Red Square which was razed by Stalin, and is now being rebuilt. And Baiame Strategic Investors, which will advise Nikitsky, takes its name from an Australian aboriginal "Christ figure", according to Andrew Ipkendanz at CSFB, who's leaving the bank to run it.

Immediately after the default, Ipkendanz accused "Russian elites" of "plundering the country's capital". Now he is stressing "partnership" and disclaiming, in spite of his company's name, any messianic delusions. Still, he and other investors must still be pretty keen on redemption.

Grade Inflation

Larry Summers, the man tipped to be the next US Treasury secretary, will be pleased to know he has won at least grudging respect from his conservative opponents on Capitol Hill.

Phil Gramm, the former presidential candidate who's chairman of the Senate's powerful banking committee, concedes – in his unique, self-effacing way – that Summers, the Treasury's number two, is smart.

"I've had him sitting in my office and explained stuff that other people find complicated and when he said he got it, he got it," he growls.

The idea of Summers and Gramm chewing over economic policy conjures up a vision of the two former economics professors marking each other's homework.

But Gramm's early grades for Summers are not encouraging. Look at the Clinton administration's plans to shore up the finances of social security, the state pension system.

"If one of Larry's students proposed what the president did, he would have given them an F," says Gramm. "Yet he is flexible enough to go on CBS news and defend it."

Observer hopes readers are taking notes. Because this joint seminar could go on and on.

Chainsaw charm

"Chainsaw" Al Dunlap, whose name once made whole industries tremble, is broadening his horizons.

The fabled slash-and-burn artiste, who's made a career out of sacking thousands, is suing Sunbeam, the US toaster and barbecue maker that sacked him as boss last year.

But he's also planning a speaking tour to Australia in the company of Mikhail Gorbachev and General H. Norman Schwarzkopf, the man who won Desert Storm.

Dunlap, who describes his time at West Point Military Academy as the best business training a man could wish for, should have plenty to discuss with Stormin' Norman. But what about Gorbachev?

Chainsaw Al's lawyer points out both his client and Gorby were ousted in coups. Observer can only hope Gorby won't find that Dunlap's reminiscences of running a nuclear missile station bring back unpleasant memories.

Big Spender

Japan's most distinguished brainboxes have been worrying how to nurse the country's sickly economy back to health. One idea, said to have won support among some smart young things at the central bank, is to print lots of money.

Observer hears that one man recently embarked on his own mission to inject more cash into the economy by withdrawing his life savings and casting them to the winds from the top of Osaka castle. Sadly, his act of selfless generosity was stymied by the honest decency of the local population. All but one of the bank-notes were returned to the police. Back to the drawing board for the bank.

Sky high

Have internet stocks been propelled skywards by so much hot air? One online book retailer thinks it can get to the bottom of the share price success of one of its rivals.

Global Investor Bookshop, the financial internet bookstore, has come up with the "1999 Hot Air Challenge", which invites entrants to predict the share price of the doyen of internet retailing stocks, Amazon.com.

Global Investor points out Amazon.com lost \$124m last year while its share price rose more than tenfold in 1998.

First prize is a balloon flight. Meanwhile, 100 runners-up are in line for copies of Charles Mackay's classic – *Extraordinary Popular Delusions and the Madness of Crowds*.

Observer rather suspects Global Investor has a bearish take on Amazon.com.

Chaos theory

A labour dispute at America West, the Arizona-based airline, is taking the art of branding to new depths. According to the Association of Flight Attendants we're about to see the "Chaos(TM) Strike."

So what happens if there isn't enough general disorder to justify the name – will disgruntled passengers get a refund?

Financial Times

100 years ago

Millwall Dock Scandal

It was announced yesterday afternoon that the arrest of Mr Birt, the Chairman and Managing Director of the Millwall Dock Company, had been effected by the City of London detective force. It will be remembered that simultaneously with the announcement that the accounts of the Dock Company had been so falsified that large sums – amounting to over £200,000 – had been paid away in dividends which had not been earned, came the news that Mr Birt, who, for 25 years had been connected with the company, had absconded.

50 years ago

Railway charges 'at limit'

Mr Alfred Barnes, Minister of Transport, said in London it was very plain to him "that we have reached the limit of increased charges on the railways of this country". Mr Barnes declared that every time a new railway coach, its lighting, dining rooms and other railway equipment was improved, the general standard of life in the country was raised, but "it must be remembered that this kind of capital expenditure represents an additional charge on the railways".

FINANCIAL TIMES
WEDNESDAY MARCH 17 1999

THE LEX COLUMN

Dow, wow!

Another landmark passed. After teetering on the brink for a week, the Dow Jones Industrial Average yesterday touched the magic 10,000 mark. If nothing else, this tells something about the 17 year bull market. The Dow only decisively broke through the 1,000 level in October 1982.

By historic standards, the pace is quickening. It has taken 27 years for the Dow to reach 10,000 from first attaining the 1,000 level in 1972. The previous tenfold rise – from 100 to 1,000 – took a whopping 66 years. Much of the market's recent vigour has been down to the incredible re-rating of US stocks since 1982. Then the market was on a historic price earnings ratio of 8½ times. Today it is on a racy 34 times.

But there is a warning for investors in such magic numbers: they may become resistance levels. After all, the Dow took 10 years to break decisively above 1,000. And it took 36 years to shake the 100 mark off its shoes. Breaching 10,000 could present a psychological argument for a slowdown in the runaway rise of US share prices.

In any event, it is worth asking how long it might take the Dow to repeat its tenfold trick. The rise in stock prices should rationally be linked to the nominal rate of economic growth. Assuming a rate of 5 per cent, not ungenerous in a low-inflation environment, it would take 47 years for the market to reach 100,000. In between, there are not many important landmarks.

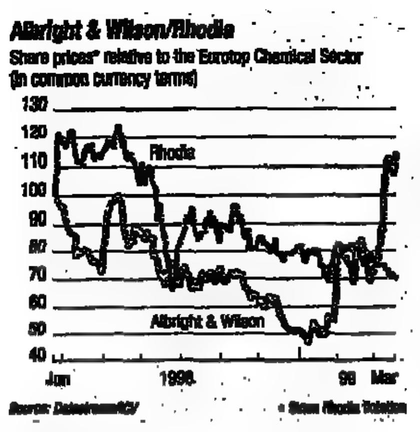
European Commission

Twenty commissioners and one German finance minister make quite a clear-out. Compared with the wild celebrations at Oskar Lafontaine's resignation, markets gave a cool response to yesterday's cleansing of Europe's stables. Such turmoil would normally be more unsettling. But then from a macro perspective, the Commission's economic importance is relatively limited. Its spending powers are not a patch on those of an unreconstructed Keynesian German finance minister. And since it had not waged any bone-headed battle to force the European Central Bank into interest rate cuts, there is no additional reason now to expect easier money.

One threat to investors would be if a weakened Commission neglected its crucial micro role of promoting competition in the single market. Another would be failure to confront governments over reckless spending plans: after all, its role as fiscal watchdog underpins the single currency project. But with Mr Lafontaine out of power, perhaps the largest threat to the bond markets has already been neutralised.

And on the whole the odds must be on the Commission's eventually emerging with more credibility. If so, such high-profile evidence of reform in Europe would boost the campaign for sterling's entry into economic and monetary union and enhance the UK's status as the last major euro-convergence play. The spread of gilts over European bonds can still tighten materially from the current 70 basis point level.

Albright & Wilson/Rhodia
Share prices* relative to the Eurotop Chemical Sector (in common currency terms)



Source: Datastream/ICV   * Since Rhodia flotation

Goldman Sachs

Goldman Sachs has always been assumed to be one of Wall Street's most profitable institutions. Yet comparisons have been difficult because earnings were reported before payments to partners. So it was reassuring to see – in yesterday's filing ahead of Goldman's public offering – that even in 1996, hardly a great year, pro-forma net profits reached $1.3bn. That is not as much as the originally published $2.9bn before tax and payments to the 221 partners. But it still equates to a return on equity of just over 20 per cent – a touch below Morgan Stanley Dean Witter but more than Merrill Lynch.

Going public, though, will require some nifty footwork by Goldman's financial whizzes. One aim is to increase the firm's capital base in a rapidly consolidating financial world. But expanding its base too rapidly would depress the return on equity. This has prompted the management to keep a tight grip on the distribution of equity. Not only will the float be relatively small but some of the proceeds will be used to pay back investors, such as Sumitomo.

The message from on high is that managing the IPO and focusing on core business will have priority. A spending spree with Goldman's new-found currency is not on the agenda. Given the turmoil of a shelved IPO and the ousting of Jon Corzine in the past year, a focus on essentials is just what the doctor ordered.

Albright & Wilson/Rhodia

Albright & Wilson and its biggest shareholder, Phillips & Drew Fund Management, are playing a good game of hard cop, soft cop. Albemarle, a US chemicals rival, wrung a grudging recommendation from the Albright board for its bid at 130p a share, but failed to clinch an undertaking from PDFM. Rhodia, pitching in at 145p, has got the reverse: PDFM's conditional blessing and a holding statement from Albright's management.

At £600m – including debt – Rhodia's offer is still no knock-out at about eight times forecast earnings before interest, tax and depreciation. Together, Rhodia and Albright's phosphates business would be a world leader. Modest assumptions on synergies – say 2 per cent of Albright's sales – would see Rhodia earn a respectable return on investment. It can afford to raise its offer, if Albemarle keeps the auction going.

But none of this is particularly helpful to Rhodia's biggest shareholder, Rhône-Poulenc, which is planning a life sciences merger with Hoechst. RP needs to increase its exposure to chemicals like it needs a hole in the head. Hence the convoluted wheeze to keep Albright off Rhodia's balance sheet until next year, when RP should have cut its 68 per cent stake. Meanwhile, a Frenchman, who controls an Austrian-based chemicals company, would earn a tidy sum for nursemaiding Albright. So would Rhodia's lawyers for devising tight controls over the lucky Frenchman.

Three Gorges project faces funding shortfall of $3bn

Foreign investors wary of China's prestige construction scheme

By James Harding in Shanghai

China's Three Gorges dam, the world's largest civil engineering project, has run into difficulties raising funds at a crucial stage in its construction.

The country's flagship infrastructure project faces a Rmb25bn ($3bn) shortfall for the second phase of construction, the government said yesterday in a report suggesting that international reluctance to finance the controversial $24.5bn scheme is adding to the strains on funding.

Officials at the China Yangtze Three Gorges Project Development Corporation were quoted as saying: "There have been certain difficulties in raising funds for the second phase construction."

The funding shortfall is unlikely to derail construction of a prestige project viewed by many in the Chinese leadership as the remedy to seasonal flooding of the Yangtze river and a symbol of national progress. But the admission of financial pressures is likely to stoke opposition to the mammoth scheme from campaigners, who say it will cause irreversible environmental damage, prove a costly and inefficient source of hydroelectric energy and entail the forced relocation of 1m people from their homes.

Under Beijing's original financing plan, roughly 23 per cent of the costs - about $5.5bn - would come from foreign loans and fundraising on international capital markets.

However, foreign banks, particularly in the US, have grown increasingly unwilling to be seen to be participating in Three Gorges financing. They fear it could damage their reputations with the large numbers of domestic customers who oppose the project. The Asian crisis and the bankruptcy of a Chinese investment company with substantial foreign borrowings has also damped international investor appetite for Chinese risk.

The company managing the Three Gorges project is planning to tap domestic sources to meet the Rmb25bn shortfall in the second-phase construction, seeking Rmb11bn in loans from Chinese commercial banks and the same in domestic bond and stock issues, the Xinhua official news agency said. The company planned to raise Rmb6bn in a corporate bond issue and Rmb5bn from a share offering.

The Three Gorges company is also seeking foreign currency loans of Rmb3bn to repay maturing foreign bank loans used in the first phase of construction, the official report said.

At the State Development Bank, the policy bank channelling the bulk of government funds to the project, officials say the enthusiastic response from the Chinese public to a Rmb2bn Three Gorges bond issued in January has shown sufficient funds can be raised within China.

But they acknowledge tougher conditions abroad, privately expecting that most US financial institutions will not participate in financing and are planning to target European banks.

Zhu's popularity tested, Page 6

Japan urged to concentrate on millennium bomb problems

By Alexandra Nusbaum and Gillian Tett in Tokyo

Western banks are urging the Japanese government to slow financial market reforms this year to give banks and brokers more time to deal with millennium bomb problems.

American and European business groups have written to the Ministry of Finance asking it not to increase regulatory changes between June and March, the peak period for addressing so-called Y2K problems, which may be caused by the failure of computer systems to recognise the date change for the year 2000.

The appeal is similar to one submitted to the US government but it comes as Japan is due to implement a wave of "Big Bang" deregulation, such as the liberalisation of brokerage commissions.

Although the western banks have not specifically requested the delay of any Big Bang reforms, some Japanese and western officials fear that this deregulation is hampering Y2K preparations. Many banks and brokers are, in addition, financially weak and have been slow to address the potential for computer malfunctions if non-compliant systems read the abbreviated form of 2000 as 1900.

Taka Okada of Japan Securities Dealers' Association, the business group, said: "It is a difficult time right now with the financial impact and systems changes of Y2K and deregulation such as the liberalisation of brokerage commissions (due to Big Bang)."

Some western banks also fear that the Japanese government might be tempted to downgrade Y2K standards because many of the preparations have not been implemented.

Christopher Wells, head of the financial committee at the American Chamber of Commerce in Japan, said: "Some of our member institutions are worried that their preparations for Y2K could be put on a more expensive track by well-intentioned changes to the rules and processes... Also, it is hardly a time to impose more burdens on Japanese banks."

The JSDA yesterday emphasised that it was scrambling to ensure that brokers would be prepared for Y2K. Today, the JSDA Board will call for all brokers to create "command and control centres" to oversee, execute and disclose Y2K-related issues. Members will also be required to participate in continuous testing for Y2K readiness and to produce contingency plans by June.

The JSDA said it would ask members to disclose their level of Y2K preparedness. This has been prompted by a US Senate report last month that heavily criticised Japanese companies for their lack of preparedness. The JSDA called the report "biased".

Many of Japan's large banks are believed to have made good progress in preparing for Y2K. However, some second-tier securities brokers face real challenges in handling Y2K and new regulations such as commission structures.

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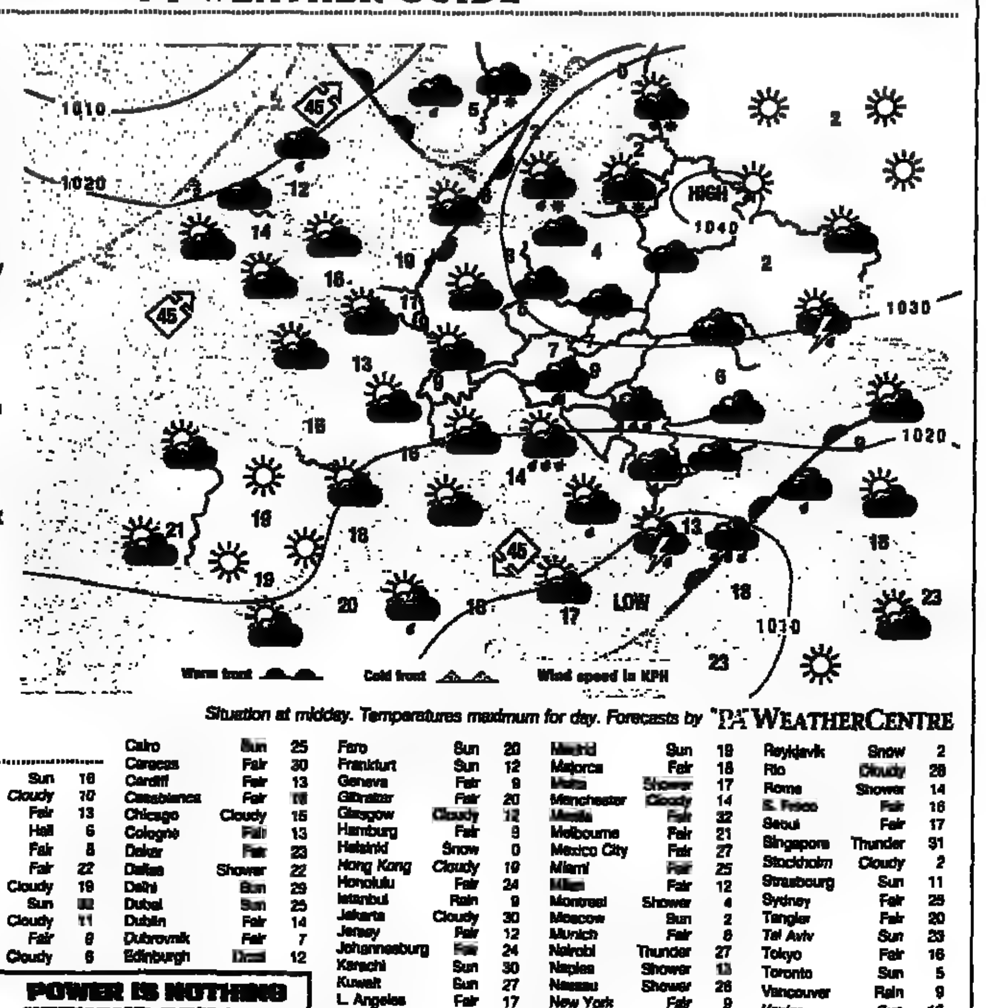
An artist completes a 'falla' representing a bullfighting scene in Valencia, Spain. The fallas, huge sculptures of wood and paper, are burnt each year on 19 March to celebrate the arrival of spring

FT WEATHER GUIDE

Europe today
High pressure will dominate much of western Europe giving dry and settled conditions with sunshine. Scandinavia will be unsettled with rain and sleet pushing eastwards. The Low countries will be cloudy with a weak band of showery rain moving south-eastwards. Central Europe will be dry apart from snow showers over the Alps. The central and eastern Mediterranean will be very unsettled with heavy and thundery rain or showers over Greece and Turkey. Eastern Europe will be fine and settled with sunshine and snow flurries.

Five-day forecast
It will turn colder in north-western Europe with sun and showers Most of the Mediterranean will remain unsettled with further thundery showers. The Iberian Peninsula will stay mainly sunny but will become colder. Showers will continue over the Alps.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	24
Accra	Thunder	32
Algiers	Shower	20
Amsterdam	Drzzl	10
Athens	Rain	13
Atlanta	Sun	25
B. Aires	Fair	33
B.ham	Fair	14
Bangkok	Fair	36
Barcelona	Sun	16
Beijing	Cloudy	10
Belfast	Fair	12
Belgrade	Hail	6
Berlin	Fair	8
Bermuda	Fair	22
Bogota	Cloudy	19
Bombay	Sun	32
Brussels	Cloudy	11
Budapest	Fair	7
C.hagen	Cloudy	6
Cairo	Sun	25
Caracas	Fair	30
Cardiff	Fair	13
Casablanca	Fair	21
Chicago	Cloudy	16
Cologne	Fair	11
Dakar	Fair	23
Dallas	Shower	22
Delhi	Sun	29
Dubai	Sun	25
Dublin	Fair	14
Dubrovnik	Fair	7
Edinburgh	Drzzl	12
Faro	Sun	20
Frankfurt	Sun	12
Geneva	Fair	9
Gibraltar	Fair	20
Glasgow	Cloudy	12
Hamburg	Fair	8
Helsinki	Snow	0
Hong Kong	Cloudy	19
Honolulu	Fair	24
Istanbul	Rain	9
Jakarta	Cloudy	30
Jersey	Fair	12
Johannesburg	Fair	24
Karachi	Sun	30
Kuwait	Sun	27
L. Angeles	Fair	17
Las Palmas	Fair	21
Lima	Fair	26
Lisbon	Fair	21
London	Fair	16
Luxbourg	Fair	9
Lyon	Sun	11
Madeira	Fair	19
Madrid	Sun	18
Majorca	Fair	16
Malta	Shower	17
Manchester	Cloudy	14
Manila	Fair	32
Melbourne	Fair	21
Mexico City	Fair	27
Miami	Fair	25
Milan	Fair	12
Montreal	Shower	4
Moscow	Sun	2
Munich	Fair	6
Nairobi	Thunder	27
Naples	Shower	13
Nassau	Shower	28
New York	Fair	9
Nice	Fair	16
Nicosia	Fair	18
Oslo	Shower	5
Paris	Fair	13
Perth	Fair	28
Prague	Fair	6
Rangoon	Fair	36
Reykjavik	Snow	2
Rio	Cloudy	28
Rome	Shower	14
S. Frsco	Fair	16
Seoul	Fair	17
Singapore	Thunder	31
Stockholm	Cloudy	2
Strasbourg	Sun	11
Sydney	Fair	25
Tangier	Fair	20
Tel Aviv	Sun	23
Tokyo	Fair	16
Toronto	Sun	5
Vancouver	Rain	9
Venice	Sun	13
Vienna	Cloudy	7
Warsaw	Cloudy	4
Washington	Fair	17
Wellington	Fair	19
Winnipeg	Snow	1
Zurich	Fair	9

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

French banks await BNP ruling
France's battling bankers were waiting anxiously for the verdict of market regulators on Banque Nationale de Paris's unprecedented bid for its rivals, Paribas and Société Générale. The uncertainty surrounding BNP's offers was reflected in the movements in the banks' shares. Page 16

Smugglers' loss is Zhenhai's gain

Zhenhai Refining's bottom line explains why Jiang Zemin, China's president (left), has championed an anti-smuggling campaign. China's largest diesel refinery enjoyed a significant recovery in earnings as the crackdown on illegal imports of oil products enabled a 30 per cent increase in prices and a resumption of sales to companies that had used smuggled fuel. Page 20

Canada exchange reform must go on
The restructuring of Canadian stock markets was widely regarded as a positive step. But the Toronto Stock Exchange, Canada's largest, must address other challenges in order to slow the loss of market share both to US exchanges and alternative trading systems. Page 18

New network to reshape IT industry
Business alliances are as common as silicon chips in the technology industry, but Nortel Networks, Intel, Microsoft and Hewlett-Packard believe their grouping could reshape one of the fastest growing industries in the US. Page 18

Australian commodities set to fall
Forecasts for Australia's commodity export income, to be announced by the Australian Bureau of Agricultural and Resource Economics (ABARE), will reinforce fears of a prolonged downturn in demand and prices for its agricultural and resources exports. Page 26

Japan bank reform fund opens well
Japan's bid to raise Y7,450bn (€57.3bn) to fund bank reform got off to a good start when the Deposit Insurance Corporation successfully raised Y2,000bn in one-year loans. Page 24

Nickel rally faces acid test
Nickel has been the year's star performer in the base metals sector. It has risen more than 25 per cent, while its sister base metals, aluminium and copper, are down 7 per cent and 4 per cent respectively. But this rally may be cut short by a new, and cheaper, production process – Australian laterite nickel production. Page 26

FTSE shuffle may confuse IT pack
UK listed information technology companies will be moved to new categories in the reshuffle of the FTSE indices, intended to help investors. But not everyone believes the exercise will improve understanding of IT. Page 22

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MARKET STATISTICS

Vodafone seals $13bn loan for Airtouch bid

High margins follow outline of other big telecoms deals

By Edward Luce and Vincent Boland

Vodafone, the UK mobile phone company, yesterday secured a $13bn syndicated loan as part of its $62bn takeover of Airtouch, the US company, in one of the largest debt packages agreed by a European company.

The deal comes in the middle of a number of "jumbo" European telecommunications loans, including a €10bn ($10.9bn) loan for Telecom Italia, a €22.5bn loan for Olivetti, and an €8bn deal for Mannesmann, the German company. It will be largely refinanced in the international bond markets within 12 months.

The Vodafone deal follows the expected outline of the Olivetti and Telecom Italia loans by placing strong emphasis on refinancing through the bond markets and offering unusually wide margins.

The bulk of the loan, which is expected to be priced at a relatively generous margin of 60 to 70 basis points over the London Interbank Offered Rate, will have to be refinanced within 364 days. The short maturity enables the banks, led by Goldman Sachs, Barclays, Citibank, Bank of America and NatWest, to put a zero risk weighting on the undrawn portion of the loan – a device to minimise capital adequacy costs. "The banks are calling the shots on these deals," said one official, "which makes a pleasant change."

The four banks arranging the jumbo loan for Olivetti to finance a hostile takeover of Telecom Italia are expected to complete presentations to lenders in London tomorrow after a week of intense one-on-one negotiations to secure promises of syndicate participation.

It is understood that none of the banks Olivetti has approached has made a firm commitment, an indication of the doubts that persist about the Italian telecoms group's chances of pulling off its audacious takeover attempt. At least one bank is understood to have turned Olivetti down because its bid is hostile.

Olivetti has agreed to generous terms for its loan to secure commitments. The loan is priced at 225 basis points over Libor, and banks are set to earn high fees. There is also a punishing repayment schedule – half the loan is due to be repaid within a year and 80 per cent within 18 months.

Olivetti has already received commitments of €10bn from the four arrangers. Chase Manhattan, Lehman Brothers and Donaldson, Lufkin & Jenrette have promised €3bn each and Mediobanca a further €1bn. They are also acting as Olivetti's advisers in the bid.

Telecom Italia is expected to pay a 75 basis point margin on its €10bn loan which is being arranged by CSFB, J.P. Morgan and IMI, the Italian bank.

Connected: Sam Ginn of Airtouch, left, and Vodafone chief Chris Gent

Hoechst speeds up merger to please Kuwaitis

By Uta Harnischfeger in Leverkusen

Hoechst, the German pharmaceuticals group, yesterday brought forward its planned merger with France's Rhône-Poulenc by two to three years, in a move to secure the backing of Kuwait Petroleum Corporation, its largest shareholder.

The planned merger would create Aventis, a life sciences company with $20bn in sales and 95,000 employees. The original plan foresaw a merger in two steps, with the first creating Aventis Hoechst and Aventis Rhône-Poulenc on July 1, after which both companies were to divest their remaining chemicals activities.

The full merger was scheduled for late 2001 or 2002, but now it will be complete by the end of the year.

KPC had appeared divided over the merits of the deal. It wanted the new company created as soon as possible to boost shareholder value and thus the valuation of its stake.

But Jürgen Dormann, Hoechst chairman, stressed yesterday that KPC had assured Hoechst of its support following the revised timetable. "It is for a good reason that we are changing [the conditions of] the merger, after conducting all these talks with the Kuwaitis," said Mr Dormann following a Hoechst supervisory board meeting.

With a 24.5 per cent stake, KPC was in a position to prevent the merger, which requires the approval of 75 per cent of Hoechst shareholders.

Mr Dormann and Igor Landau, managing director of Rhône-Poulenc, were keen to emphasise that many shareholders wanted Aventis created as soon as possible. Mr Landau said: "Like the other shareholders, the Kuwaitis support the creation of Aventis, but to see this company created only in two or three years posed them a problem."

The supervisory board will hold an extraordinary meeting at the end of April and shareholders will gather to vote on the merger in June or July.

Some investors seemed to considerthe new timetable rushed. Hoechst shares closed down 2.1 per cent or €0.90 at €41.50, while overall the market closed up 1 per cent.

Goldman chiefs may take $200m stakes

Investment bank unveils IPO details and $1.2bn first-quarter earnings

By Tracy Corrigan in New York

Goldman Sachs' 221 partners will own nearly half the company, following the investment bank's initial public offering, due in the next three months.

Each partner's holding will depend on the amount of capital invested in the firm, but stakes will range from about $20m for junior partners to about $200m for senior partners. Partners will not be able to sell shares for 3-5 years.

Goldman filed a draft prospectus for the offering with the Securities and Exchange Commission yesterday, and reported record first-quarter earnings of $1.2bn, up from $1bn a year ago before payments to partners.

An attempt to take the firm public was derailed in September due to adverse market conditions after Russia's debt default and the near-demise of hedge fund Long-Term Capital Management.

Jon Corzine, co-chairman, will step down from that role immediately prior to the IPO and leave the firm shortly afterwards. Mr Corzine lost out in a power struggle this year and resigned his position as co-chief executive officer. Hank Paulson, sole chief executive officer, will become the firm's sole chairman.

Of the remaining 51 per cent that will not be owned by partners, about 20 per cent – worth an estimated $4.5bn – will be divided among about 13,000 full-time staff, who will receive between $10,000 and more than $1m. Another 9 per cent, or roughly $2bn of the company's equity, will be owned by about 200 limited (retired) partners, and a further 9 per cent will remain in the hands of outside investors such as Sumitomo Bank of Japan and Bishop Estate, the Hawaiian Trust.

In addition, $200m from the IPO's proceeds will be paid into a Goldman charitable foundation.

Goldman filed yesterday with the Securities and Exchange Commission for an offering of 60m shares, expected to be priced at $40-$50 per share. The IPO will therefore be worth between $2.4-$3bn, if it is priced within this range. This accounts for about 13 per cent of the company on a fully diluted basis. There will be 467m shares, including restricted stock, outstanding following the IPO.

If the IPO is priced at $45 per share, this would suggest a market capitalisation of $21bn, but analysts say the market valuation is likely to be close to $24bn.

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Brighter prospect, Page 18

Daiwa Securities warns of $860m group loss

By Naoko Nakamae and Gillian Tett in Tokyo

Daiwa Securities, Japan's second largest brokerage, yesterday warned it would post a Y105bn ($860m) group loss this fiscal year, partly because of Y61bn of restructuring costs in its European operations.

The securities house said it would report a pre-tax loss excluding exceptionals of Y105bn, compared with a Y13bn loss last year. The company also said it would post a Y82bn parent exceptional loss as it wrote down holdings in US and European subsidiaries.

Daiwa's warning is the second blow to Japan's securities sector this week, following news that Nomura, the largest broker, is seeking about Y300bn of subordinated loans to offset domestic losses in its real estate affiliate. These problems could push Nomura into an overall loss of several hundred billion yen in fiscal 1998. However, some analysts believe the scale of these losses indicate that the largest brokers are finally tackling their problems. Though Daiwa has traditionally lagged behind Nomura, some analysts believe it may be gaining on its rival.

Nomura's heaviest losses this year are believed to have been incurred in its domestic real estate affiliate, Nomura Finance. However, the broker has not yet revealed the scale of these losses, believed to total between Y250bn and Y300bn, or when it will make provisions for them.

In contrast, Daiwa is believed to have already announced most of its losses in related real estate groups. Earlier this year, for example, it admitted to about Y82bn of losses at Daiwa Finance, Y24bn at Nippon Investment Finance and Y9bn at Daiwa Sankyo. Yesterday Daiwa Securities said "the issue of Daiwa Finance is practically resolved," adding that the announcement was "the last restructuring related loss we will announce before the fiscal year end . . . we have implemented a lot of our restructuring at an early stage, and most of it is now over".

Sumitomo Bank is due to inject about Y200bn into Daiwa's wholesale operations next month through a joint venture due to start soon. This could leave Daiwa stronger than many rivals, analysts say.

BARRY RILEY

Time for a Tokyo play

Wall Street could only nibble at the 10,000 mark on the Dow Jones Average yesterday, but its attainment highlights again the market's phenomenal rise since the growth rate radically accelerated at the beginning of 1995 (from roughly 40 per cent of the present level).

In the first half of the 1990s the Dow maintained a pedestrian advance at the average annual rate of 7 per cent. Since then growth has been 25 per cent a year.

Even so the Dow's 30 venerable blue chips have often failed to keep up with the big technology growth stocks that remain outside the club.

Since mid-decade the S&P 500 has climbed at an annualised pace of 28 per cent and the Nasdaq Composite at 32 per cent (so the Nasdaq has outgrown the Dow by a quarter in just over four years).

Spare a thought, however, for the smaller stocks in the Russell 2000, which has managed only 12 per cent annual growth over this period, and is now scarcely higher than it was two years ago.

Value hunters have been left for dead on Wall Street in the second half of the 1990s but the momentum party cannot go on for ever.

Morgan Stanley Dean Witter has been crunching valuation ratios worldwide and, not surprisingly, produces the conclusion that US equities are the world's most expensive, judged against the 10-year averages.

Wall Street stands at 58 per cent above the 10-year average, using a composite indicator of eight fundamental measures. Some of the euro-bubble markets, including the Netherlands, Finland and Spain, are at 25-30 per cent premiums.

The UK comes in at 16 per cent above the average, but France and Germany are close to past norms.

Japan is also 16 per cent ahead of its 10-year average, but Morgan Stanley pleads that this is due to "depressed earnings" and says that on other measures Japan is inexpensive.

Of course, it all depends on whether a 0.9 per cent dividend yield basis is regarded as historically cheap or, in absolute terms, still a turn-off – worse even than the minuscule 1.1 per cent on the S&P.

At any rate, many global strategists have decided this is the moment to make another Tokyo play, rotating out of high-priced Wall Street and scandal-hit Europe.

Foreigners have a recent record of getting Japan wrong, having been swamped in past rallies by eager domestic sellers; but they hope this is not just another traditional ramp ahead of the March 31 banking balance sheet date.

Certainly, heavy supply is looming in Tokyo as cross-shareholdings come up for sale – with Fuji Bank and Sumitomo Bank, for instance, giving notice of their intentions this week.

On the other hand, financial tension has eased – the "Japan premium" for deposits raised overseas by Japanese banks has almost disappeared – and zero short-term interest rates are giving a powerful monetary push.

It remains to be seen whether Sony's hints about corporate restructuring last week will have general relevance.

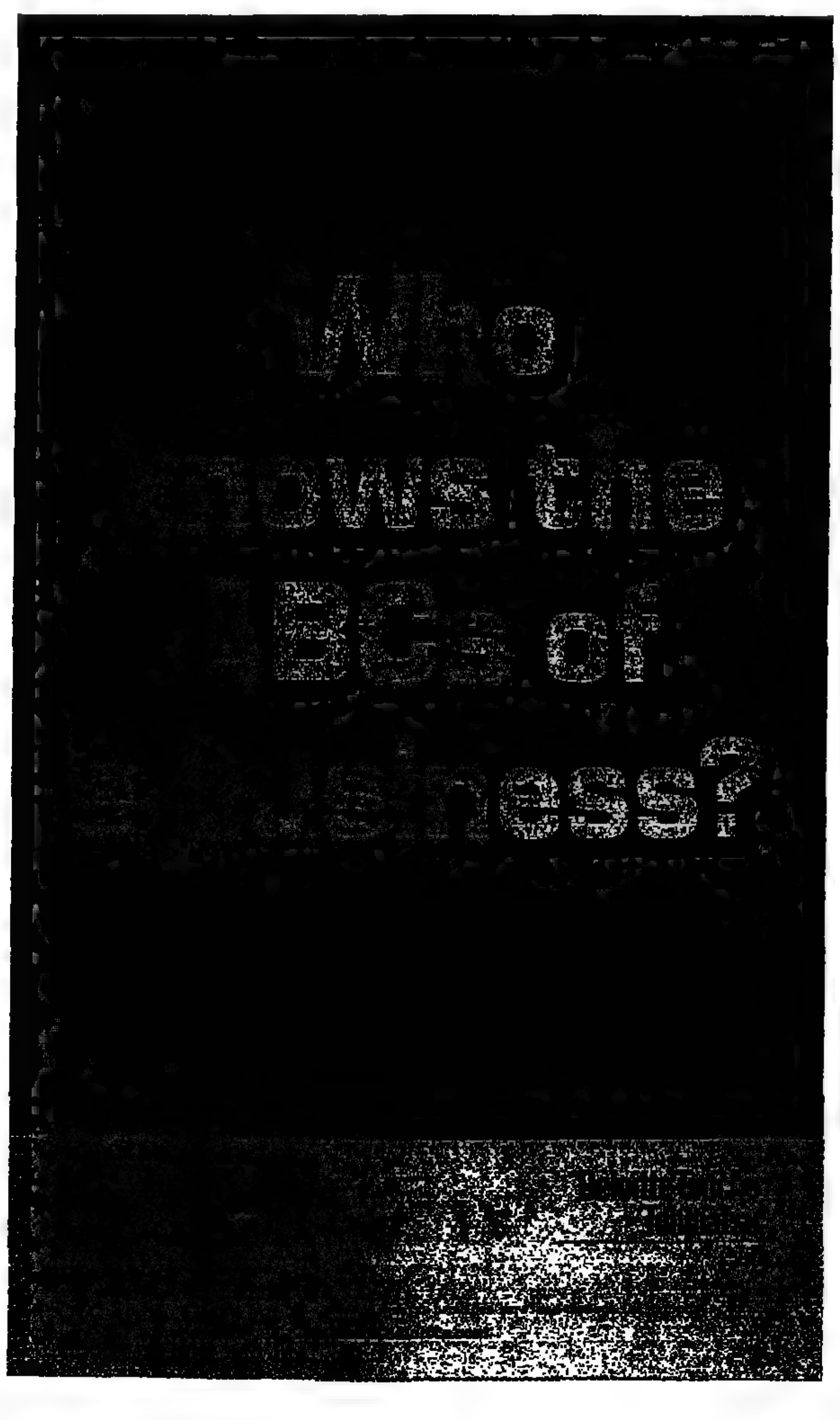
Foreign investors first drooled about the potential for re-engineering back in 1993, when the Nikkei was very close to where it is now, but Japanese culture dictated that an economic slump would be preferable. Still, the Nikkei Average has bounced by 21 per cent from its 1999 low.

Back on Wall Street the analysts are starting to get just a little concerned about inflation. The jump in oil prices signals not so much a serious pressure point in itself as the end of a period in which falling prices of commodities and Asian imports have suppressed underlying inflation.

For the moment, however, the threat from rising Treasury bond yields has retreated.

Now, at least, we shall find out which Wall Street institutions *really* have a 10,000 bug in their systems.

Dow's brief breakthrough, Page 36



BANKING RUSSIAN LOSSES DEPRESS INVESTMENT ARM

Credit Suisse beats net profit forecasts

By William Hall in Zurich and Clay Harris in London

Credit Suisse Group yesterday reported better-than-expected net profits of SFr3.1bn ($2.1bn) for 1998, in spite of a dive into loss by its investment banking subsidiary, which was hit heavily by trading losses and write-offs in Russia.

The group result enabled Credit Suisse to overtake UBS, its bigger rival, whose performance was dented by heavy securities losses and the costs of a merger last year.

Credit Suisse First Boston, the investment bank, lost SFr221m after Russia-related provisions and write-offs totalling $1.3bn. But CSFB, which yesterday spelt out its exposure to Russia in more detail than any other bank, said there was no chance of further loss this year or next.

CSFB also gave details of its reduced exposure to risk. Allen Wheat, chief executive, stressed that the goal was to avoid concentration of risk, rather than to avoid risk altogether.

In a sign of the greater importance placed on risk management, Richard Thornburgh, group chief financial officer, has been named vice-chairman of CSFB. Philip Ryan, chief financial officer of Credit Suisse Asset Management, takes his place in Zurich.

Apart from CSFB, the group's other four core businesses showed a strong performance last year, according to Lukas Mühlemann, chief executive.

Credit Suisse, the Swiss domestic bank, reported a net profit of SFr205m, against a SFr278m loss last year and Credit Suisse Private Banking increased net profits 27 per cent, to SFr1.67bn. Winterthur, the insurance company bought in 1997, increased net profits 31 per cent to SFr884m, and CS Asset Management increased its profits 58 per cent, to SFr223m.

The result enabled the group to overtake UBS, its bigger rival, which was dented by securities losses

The group's funds under management grew 9 per cent in 1998, and by the end of February had topped SFr1,000bn.

The group achieved a 1.7 per cent return on equity and Mr Mühlemann remained confident it would easily achieve its target of at least 15 per cent by 2001.

Mr Mühlemann said Credit Suisse was big enough without having to contemplate a cross-border merger.

He added: "This might change if the whole world merges and merges and creates new standards of what is big and what is strong."

He also appeared to rule out any intervention in the French bank takeover battle, saying that would be a "complication of an already complicated situation". France, in any case, was not a high priority for expansion, Mr Mühlemann said.

All European retail activities of CSPB and CSAM outside Switzerland are to be combined into a new unit - Personal Financial Services Europe - which will report to Thomas Wellauer.

Like Mr Mühlemann, he is an ex-McKinsey management consultant, who runs Winterthur.

Mr Mühlemann said the new unit would target a $120bn market for retail financial products and two-thirds of the business was concentrated in investment funds, life insurance and pensions.

Credit Suisse also said it had bought out Swiss Re's 20 per cent stake in Credit Suisse Financial Products, in a transaction that increases the reinsurer's stake in the parent group to just below 5 per cent.

The dividend was unchanged at SFr5 a share.

Novartis warns despite 16% rise

By David Pilling, Pharmaceuticals Correspondent

Novartis, the Swiss life science company, yesterday warned of a difficult year ahead in spite of reporting pre-tax profits up 16 per cent to SFr6.07bn ($4.15bn).

"It will not be an easy year," admitted Daniel Vasella, chairman-designate and president, who said the company had to increase sales volumes after two successful years of cost-cutting.

Although Novartis has increased operating margins significantly by realising 90 per cent of synergies from the 1996 merger of Sandoz and Ciba-Geigy, group sales stalled last year, rising just 2 per cent to SFr31.7bn.

Dr Vasella, under pressure to prove the merger has been more than merely a cost-cutting exercise, said Novartis would make "decisive investments in growth opportunities" this year.

That included spending on technology and a beefed-up development effort to bring products to market more quickly. However, Dr Vasella, whose decision to take over the chairmanship prompted speculation about a big deal, said he would not be pressed into making a rash move.

Novartis has cash of SFr10.3bn, but it said Swiss law made it difficult to return it to shareholders.

Dr Vasella said he was confident the company would be able to drive growth organically, particularly through new drugs for irritable bowel syndrome, asthma, diabetes and cancer. The company could seek approval on some of these products within 12 months.

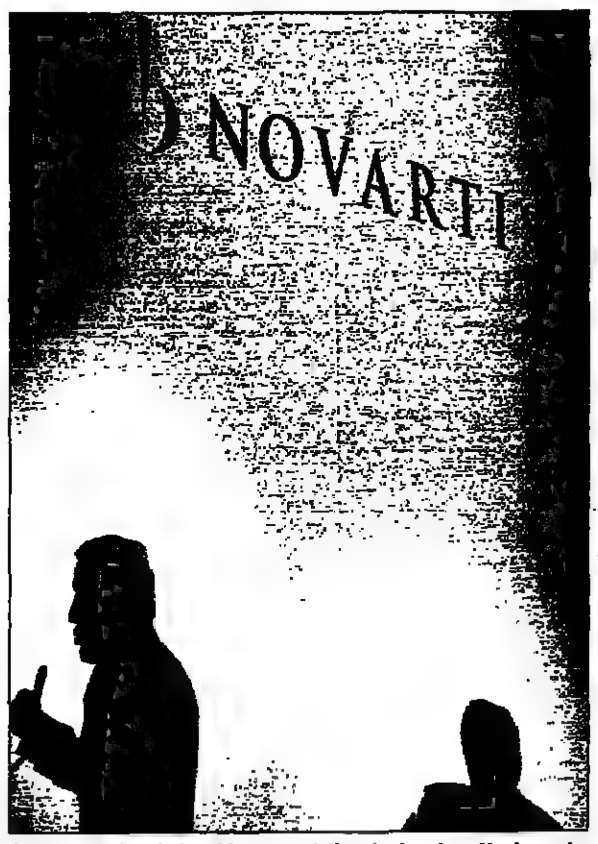
Even so, that leaves a long gap during which Novartis, which relies heavily on older products, needs to increase sales through recently launched drugs such as Exelon for Alzheimer's and Diovan for blood pressure.

Exelon has not yet been approved by the US Food and Drug Administration, which has concerns about the drug, although Novartis is confident these can be overcome by the year-end.

Healthcare sales, which make up more than half group revenue, rose 3 per cent last year to SFr17.5bn. Volume in the struggling agribusiness division and the restructured consumer health unit rose 1 per cent.

Dr Vasella said opposition to genetically modified crops in Europe had damaged the agribusiness, but Novartis had no plans to curtail its investments in this area.

Earnings per share rose 17 per cent to SFr89, and the company increased the dividend 16 per cent to SFr29. The shares closed SFr49 lower at SFr2,534.



Daniel Vasella, during his presentation in London. He is under pressure to prove the merger has worked — Paul Hackett

Anxious wait for ruling on BNP bid

Share prices rise as uncertainty grows

By Samer Iskandar in Paris and George Graham in London

France's battling bankers were waiting anxiously last night for the verdict of market regulators on Banque Nationale de Paris's unprecedented bid for its rivals, Paribas and Société Générale.

The Conseil des Marchés Financiers, the stock market governing body, was meeting late into the evening yesterday to rule on whether BNP's offers are acceptable.

The growing uncertainty surrounding the outcome of BNP's offers was reflected yesterday in the movements in the three banks' share prices.

BNP closed 2.6 per cent higher at €80, while SocGen rose more than 4 per cent to €171. In contrast, Paribas shares were little changed at €100.8.

BNP last week launched a dramatic assault that disrupted an agreed merger between SG and Paribas, which has already cleared most regulatory hurdles. BNP is offering 15 of its own shares for every seven SG, and 11 for every eight Paribas, with the aim of creating the world's largest bank with $1,000bn of assets.

Clearance by the CMF, whose 16 members are chosen from the financial community and appointed by the finance minister, is necessary for the offer to proceed.

Two CMF members linked to the protagonists were excluded from the meeting - Jean-François Lepetit, CMF chairman and a BNP director, and Dominique Hoenn, a senior Paribas executive.

The CMF is just the first in a long series of regulatory hurdles to be cleared before the complex battle can be resolved.

While most investment bankers expected the CMF's decision on whether BNP's all-share bids for Paribas and SG were acceptable to be a formality, some argued that the twin offers posed legal problems.

In the SG Paribas camp, bankers argue that the results of BNP's offers, together with SG's existing offer for Paribas, could turn up more than 20 permutations. BNP could succeed in both bids, or in one only; or BNP and SG could both end up as large minority shareholders in Paribas.

As a result, they argue, the CMF would have grounds for rejecting BNP's bids, since shareholders in the target companies would be asked to make a decision without knowing what they were really voting for.

Although it is thought unlikely that SG or Paribas will take legal action, independent shareholders might do so.

Once the CMF has decided, the BNP bids will then go to the Commission des Opérations de Bourse, the stock market regulator, which must approve the offer document.

The offer period, lasting 35 trading days, will formally begin only when the credit institutions committee (CECEI), a central bank subcommittee, has given its approval. CECEI, which is to meet next week, has the power to block the bids if it considers they would damage the French banking system.

SG has the right to withdraw its earlier bid for Paribas in the first five days of the offer period. It could raise its bid, or a new bidder could enter the battle, right up to the end of the 35-day period. If that happens, the clock will start again.

Even without a new bid, the results of the offer would probably not be known until the last week of May, at the earliest – and the affair could last much longer if the regulators drag their feet or if the battle goes to court.

Bayer struggles against falling base chemical prices

By Uta Harnischfeger in Leverkusen

Bayer, the German pharmaceutical and chemical group, yesterday confirmed the recent trend that deteriorating prices are battering chemical activities, although polymers and pharmaceuticals are doing modestly well.

Like BASF earlier this week, Bayer pledged to focus more on pharmaceuticals, while emphasising its three-pillar strategy of chemicals, pharmaceuticals and polymers. It will continue to shed non-core businesses.

Although Bayer's outlook for 1999 was less pessimistic than BASF's – which said profits this year would be less than 1998 – it remained fairly optimistic that full-year 1999 sales would come in at 1998 levels.

The group also said it stood a good chance of matching last year's trend in operating profit on an adjusted basis, after subtracting about DM500m (€256m, $280m) in operating profit from Agfa, its graphics and film subsidiary, which it plans to float in the second quarter.

Bayer said last week that 1998 sales were flat at DM54.89bn while operating profit rose 2 per cent to DM6.15bn.

Like its competitors, Bayer is suffering from falling prices for base chemicals, caused by the crises in Asia and Latin America. Sales were down 10 per cent in the fourth quarter and continued to fall sharply in January and February. "From now on things can only get better," said Manfred Schneider, Bayer chairman.

In 1998, operating profit fell 29 per cent in Asia, and dropped 8 per cent in North America because of shut-down and start-up costs for polyurethane and plastics production and temporary halts of its US blood plasma production.

In Japan, one of Bayer's most important markets, profits were particularly hard hit by government-mandated price reductions in pharmaceuticals. However, Bayer pledged to boost its pharmaceuticals side, saying that its pipeline – with seven medical products in the clinical development stage – had sales potential of more than DM10bn.

In the polymer business, the group boosted operating profits by 22 per cent in 1998, with higher productivity and cheaper raw materials offsetting price pressures.

Czech brewers win go-ahead for merger

By Robert Anderson in Prague

The Czech competition authorities yesterday approved the merger of the country's two biggest brewers – both indirectly owned by Japan's Nomura Securities.

The move is a surprise reversal of an earlier decision and paves the way for the creation of central Europe's biggest brewer.

The decision to allow the merger of Plzensky Prazdroj and Radegast came after two previous rejections by the office and is a blow to Bass, the UK brewer, which has fought the merger.

Bass owns Prague Breweries, the country's third biggest brewery, and had built up a 34 per cent stake in Radegast with a view to a possible merger of its own.

The merger will create a group controlling around 44 per cent of the Czech market and a total sales volume of 8m hectolitres.

Nomura said yesterday the new group would be better able to promote Czech beer exports, which have been disappointing despite offering strong brands such as Prazdroj's Pilsner Urquell, the first Pilsner-style lager.

The new group will allow a buyer to take a dominant position in a highly competitive market with the biggest per capita consumption in the world and give it brands which could be marketed abroad more aggressively.

But the decision also raises questions about the transparency of the competition office's procedures, some observers said.

Graham Staley, head of Bass in the Czech Republic, said: "This has come out of the blue. It is very difficult to understand. They will have a lot of explaining to do."

In its first verdict in December 1997 the office said the merger would "achieve such an economically strong position that it will allow them to prevent the continuation of efficient competition".

Nomura appealed, claiming that such a combined market share was common in Europe and would help beer exports. However, after a further rejection Nomura appeared to withdraw its appeal last November before the office had delivered a final judgment.

The office, under a new chairman, re-opened the case and now appears to have recognised that the merger already occurred through Nomura's acquisition last March of Investicni a Postovni Banka, the country's third largest bank, which held controlling stakes in both breweries.

Randall Dillard, managing director of Nomura International, said yesterday: "The decision by the monopolies commission has ended a prolonged period of uncertainty. It is now time to move on, to implement the merger, and to realise the commercial synergies."

Renault prepares to carry Nissan's heavy load of debt

Doubts are being expressed over the deal, say **David Owen and Alexandra Harney**

Two years ago, news that Renault had forged a deal with another big carmaker would have been written off as a marriage of ugly ducklings.

Back then, the partly state-owned French company reported a 1996 loss of more than FFr5bn and was being battered by the bitter backlash to its decision to close a Belgian car plant with the loss of more than 3,000 jobs.

But it is a measure of French carmaker's "turnround story" that plans to tie up with Japan's Nissan Motor have not met with the same response.

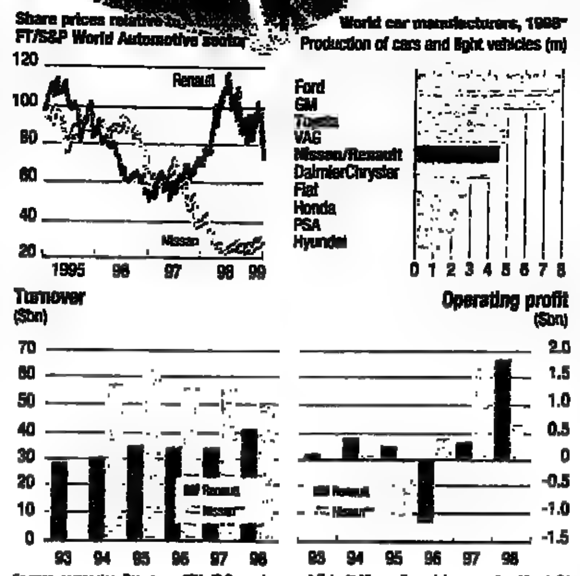
Today, with the French group's 1998 profits reaching a near record FFr8.8bn (€1.34bn, $1.47bn), its net debt eliminated and the reputation of its top management riding high after two years of outstanding performance, the situation is different.

But, as yesterday's poor performance by Renault shares underlined, chairman Louis Schweitzer and his team should still be under no illusion about the enormity of the task they are trying to take on. Renault closed 5.5 per cent lower at €33.47.

Top of the list of concerns is the Japanese company's heavy debt load, which totalled Y2,500bn ($21.2bn at current rates) as of last March, excluding liabilities of financing subsidiaries. Although Nissan has managed to reduce these liabilities to about Y2,100bn by selling assets and some of its investment portfolio, analysts are doubtful whether cash flow from operations will be sufficient to sustain this pace.

"Even as they restructure, the weak sales and strong yen have meant the environment is deteriorating even faster than they can restructure," says Tsuyoshi Mochimaru, analyst at Dresdner Kleinwort Benson.

A quick injection of new capital is particularly important because Nissan is expected to face considerable funding difficulties in the next 18 months. Moody's, the credit rating agency, last week lowered its rating on Nissan's debt from Baa3 to Ba1, equivalent to junk bond status, adding to fears about the carmaker's financial stability.



Sources: companies; Datastream/ICV; JD Power-lmr

* Est. ** Nissan financial year ending March 31

Nissan's sales have tumbled over the past year because of the slump in Asia and the recession in Japan. Analysts say its weak product line-up has contributed to its problems. The group expects sales of Y6,400bn in the fiscal year that ends this month, just below the level achieved last year. It also expects Y30bn in net losses – its sixth loss in seven years.

Second, while few doubt the ability of Mr Schweitzer and Carlos Ghosn, his chief lieutenant, the verdict seems less clear-cut on whether Renault has the management strength needed to transform Nissan's prospects.

Such doubts appear all the more germane given that Renault plans to buy about 35 per cent of the carmaker: enough to veto decisions made by the Nissan board, but not for full management control. Indeed, it could be argued that the heart of the matter for the French group will be whether it can exert enough influence to make a real difference with a stake small enough to avoid consolidating that heavy debt.

Third, the fact that Renault's plans encompass Nissan Diesel, Nissan's 39.8 per cent-owned truck and engine unit, will be a source of concern for some observers given the weak state of the Japanese truck market.

There are also questions about the nature of industrial co-operation that Renault would seek to implement in any tie-up. On the one hand, the geographic fit between the two companies in the car sector is quite good, with the Japanese group providing its growth-minded French counterpart with exposure to two large markets – the US and Japan – from which it is virtually absent.

The two groups could certainly combine platforms and parts procurement; Nissan has been trying to reduce its more than 20 platforms as part of its restructuring. But analysts caution that sharing platforms would take at least five years.

To shareholders in both carmakers, a deal would only make sense if a rigorous restructuring and rationalisation of facilities ensues. This could include mothballing Nissan's sales network in Europe and continued restructuring of its Japanese and US operations, analysts say.

It is in Europe where some of the toughest decisions may come, with Renault perhaps torn between clipping the wings of its new Japanese partner in its domestic market and fully exploiting Nissan's UK plant in Sunderland, which has been called Europe's most efficient car factory.

Brighter prospect for Goldman float

By Tracy Corrigan in New York

Goldman Sachs's luck on market timing may have turned. On the day it filed its prospectus for its second run at an initial public offering, the Dow Jones Industrial Average broke through 10,000 points.

While the significance of 10,000 points is simply that it is a nice round number, the milestone does suggest a rather more buoyant tone to the market than was evident last September, when Goldman was forced to postpone its first effort at an IPO.

Analysts say the strength of the market means that Goldman stock may well be priced on the high side of the $40-$50 per share range given in the prospectus, particularly on the back of a strong quarter of earnings from Goldman.

Furthermore, investors may be soothed to see that even after Goldman's ropey performance in the fourth quarter, when it took hits particularly in fixed-income arbitrage trading, the firm's pro-rata net earnings for 1998 of $1.3bn represented a return on equity of just over 20 per cent.

And given the careful structuring of the IPO – even after the offering, Goldman's equity base is likely to be only about $7.5bn, against $6.6bn as of the end of February – Goldman should be able to maintain its attractive return on equity.

In fact, the tone of the prospectus seems deliberately low-key. Goldman may have done the IPO to give itself greater access to capital and a currency to make acquisitions, but the management is in fact carefully restraining the growth of its capital base and has no plans to embark on a shopping spree.

The management pinpoints three main businesses – trading, investment banking and asset management – on which it will focus.

"Our strategy," reads the prospectus, "is to grow our three core businesses in markets throughout the world." This is exactly what the firm's strategy was a year ago, when the IPO was first mooted.

Recent talk of playing down of trading, where the firm came unstuck last year, is denied: "Trading and principal investing has been an important part of our culture and earnings and we remain committed to these businesses irrespective of their volatility," affirms the prospectus.

Despite recent talk of the internet and Goldman's potential interest in pursuing retail investors through an internet business, talk of a big internet buy has been overdone, according to people close to the firm.

As for the other notable aim of the IPO – "to share ownership broadly among our employees now and through future compensation", the results have yet to be tested.

Certainly, both Salomon Brothers and Morgan Stanley experienced a gradual exodus over time of enriched partners moving on to more restful pastures. But this has advantages as well as disadvantages, making room for new blood. And while the distribution of equity to staff below partnership levels is a sensible and desirable measure, few of these staff are likely to have enough money to retire on.

Henry Poulson, co-chairman and CEO of Goldman Sachs

AEROSPACE VENTURE IS FIRST IN A SERIES AIMED AT SHARPENING GROUP'S PERFORMANCE

Boeing in aircraft servicing move

By Christopher Parkes in New York

Boeing yesterday unveiled plans to reinforce its ailing commercial aircraft operations with the establishment of a new engineering services division.

To be known as Boeing Airplane Services, the unit will operate from bases in California, Kansas and Washington state, and will provide aircraft conversion, retrofitting and repair services.

Its launch and operation will be overseen by Joe Gullion, a former sales, marketing and business development executive at AlliedSignal Aerospace, who joined Boeing last October.

The venture is the first in an expected series of moves to sharpen Boeing's performance following a review of group operations by Deborah Hopkins, who was appointed chief financial officer last year.

Ms Hopkins said last month that customer service had been identified during the review as a "very strong way for us to go forward".

Other actions expected in the coming weeks include changes to existing operations, including scrapping projects considered unlikely to produce worthwhile profits.

Her preliminary review of operations had shown about $3bn-worth of group investment projects were either "value-destroying" or only capable of breaking even in current conditions.

Mr Gullion said yesterday that conversion of aircraft from passenger to cargo use presented one opportunity for growth in the services sector. More than 1,500 such conversions were expected in the next 15 years, he said.

At present Boeing was converting about 18 747s annually at its Wichita plant.

The market for such engineering work is currently fragmented, and the group's tactics suggest a drive to capture more of the "after-market" business associated with the worldwide fleet of 10,600 Boeing commercial jets currently in service.

Mr Gullion pointed out that the new operation would be an integral part of the original manufacturer of these aircraft, with ready access to all Boeing divisions, suppliers and services.

The range of services to be offered will include engineering retrofits, avionics upgrades, rebuilding interiors, recovery and repair and consulting.

Canadian markets see strength in unity

By Scott Morrison in Toronto

The restructuring of Canadian stock markets this week was widely seen as a positive step, but some observers said the Toronto Stock Exchange, Canada's largest, must continue to address other challenges in order to slow the loss of market share to US exchanges and alternate trading systems.

The restructuring plan will see Toronto emerge as Canada's sole senior equities market, while Montreal's exchange will become the country's derivatives market. Exchanges in Vancouver and Alberta will merge with the Canadian Dealing Network, a TSE over-the-counter trading subsidiary, to form a national junior exchange.

The TSE and other exchanges, in a rare display of unity, are attempting to respond to increased competition, particularly from US exchanges, say analysts.

At least 200 Canadian companies interlist on the TSE and a US market. The TSE said that number has doubled in the past 10 years as Canadian companies gravitate to larger more liquid markets south of the border.

The value of trades on the Toronto Stock Exchange totalled US$332bn in 1998, a tiny fraction of the US$7,300bn traded on the NYSE and the US$5,500bn traded on Nasdaq last year. The concern is that some Canadian companies might completely bypass exchanges in Canada.

It is unlikely that the TSE can reverse the trend, but sources in Canada's investment community said the exchange could take steps to slow the erosion of its market share. A key issue remains that of corporate governance.

The TSE last year unveiled a proposal to transform itself from a non-profit co-operative into a private, for-profit business. Sources in the investment community have argued that the exchange will not be able adapt to the rapid evolution in global capital markets until voting rights on the TSE's board are aligned with the economic interests of the exchange's member firms. A vote is expected in June.

The TSE has also seen its market share decline as large dealers increasingly opt for "upstairs trading", only to input trades into the exchange's system once transactions are completed. Internet trading has also affected trading volume on Canada's stock markets.

The TSE will also have to adjust to additional challenges posed by alternate trading systems should, as expected, restrictions on such systems be relaxed in the near future by the Ontario Securities Commission.

BellSouth goes it alone

Telecoms group is in no mood for merger, says **Richard Waters**

Duane Ackerman is in no mood for a merger. The chairman of BellSouth has been besieged by investment bankers telling him that he should act now before it is too late.

But, to judge by his response, the company that emerged with the largest piece of the local telephone market after the break-up of the Bell system in 1984 is not yet ready to give up its unfashionable go-it-alone strategy.

"There are other ways to address it," he says, when asked whether BellSouth needs a merger to extend its reach from its stronghold in the south-east. "I'm not sure you need a national network." The same results, he adds, can be achieved "by alliance or by teaming arrangements".

Although Mr Ackerman does not rule out a merger, his instincts are clearly for continued independence. "What you concede in scale and scope you have to make up in focus and execution," he says. It is a strategy that has stood up well for BellSouth until now, to judge by its service record and profit margins.

Its strong performance has left BellSouth with a higher-rated stock than rivals: it is trading at around 24 times expected earnings this year, compared with 18-21 at other big local carriers. Yet Mr Ackerman has resisted the siren calls from Wall Street to use his buoyant stock as a takeover currency. "It's always nice to have a good currency – but it doesn't change the discipline of looking for good value."

Rivals question this unfashionable strategy. "He's counted himself out of the game," says a senior executive at one big local carrier. "BellSouth is to some extent living in the past," adds Jack Grubman, telecoms analyst at Salomon Smith Barney. Strong economic growth may make the company's home region one of the most attractive markets in the US, but it will inevitably see its business whittled down by new competitors, he says.

It is not difficult to see why Wall Street bankers have beaten a path to Mr Ackerman's door in Atlanta

US local telephone companies

	Market cap ($bn)	1998 Revenues ($bn)	1998 Income ($bn)
SBC/Ameritech*	190	46	8.5
Bell Atlantic/GTE*	158	57	5.2
BellSouth	85	23	3.3
US West	31	12	1.3

Source: Companies *Mergers pending

– or why there has been speculation in recent months of a combination with Sprint, the other US telecoms company that is a perennial subject of takeover talk.

If their own pending mergers are completed, SBC Communications and Bell Atlantic will soon emerge as the two dominant local carriers in the US, each twice the size of Atlanta-based BellSouth – and each with the declared ambition to expand outside their local regions.

Meanwhile, mergers such as those between long-distance carriers WorldCom and MCI and wireless companies Vodafone and AirTouch, along with the international alliance between AT&T and BT, have highlighted the weaknesses in BellSouth's position. It has yet to break out of its region or into the long-distance business – and until it does, the lucrative long-distance data and international markets remain closed.

Mr Ackerman says regulatory approval to enter the long-distance business should come this year and will be the key that finally unlocks this apparent strategic trap.

It would give BellSouth a shot at the $8bn of long-distance traffic that never leaves its region, and a chance to swim upstream into the data and international markets, he says.

Companies such as Coca-Cola, an Atlanta neighbour, are concerned only about the quality and cost of their telecoms services, he says – not whether it is provided by a single global carrier, or a company like BellSouth acting through alliances with others.

Yet the differences in reach are becoming starker all the time. AT&T, which provides global data services to Coca-Cola, recently bought IBM's worldwide data network and plans, with BT, to extend its reach into 100 big international cities.

The question of whether to join the merger scramble may well be one that Mr Ackerman can put on hold for a while longer.

The regulatory hurdles to a long-distance acquisition are still significant. Even if BellSouth wins approval in one state this year to sell long-distance services, it would have to win approval in all 50 before it could get the full benefit of owning Sprint, one rival points out.

The question, when that time comes, is whether Mr Ackerman still believes BellSouth's best chance lies in staying independent.

NEWS DIGEST

COMMODITY FUTURES

CFTC outlines proposals for opening up markets

The Commodity Futures Trading Commission, the US regulator for the futures markets, yesterday published its long-awaited proposed rules under which foreign electronic exchanges will have access to US-based customers and investors, without having to quality as a "full US contract market". The new rules will allow customers based in the US to enter orders on non-US electronic exchanges via "order-routing systems" – including those that are internet-based – provided the exchange/systems meets certain "basic minimum safety standards".

Full details of the rules were not immediately available, although they were due to be published in the Federal Register "shortly". One big issue will be the amount of business which a non-US exchange can draw from the US. In its earlier discussion document, the CFTC indicated that it would probably place a cap on this.

If business then exceeded a specific level, the exchange would need to register as a "full US contract market" – that is, effectively qualify as a US exchange and undergo a much more complex approval system.

The CFTC rules have been anxiously awaited by non-US exchanges, which have generally moved far more quickly than their US counterparts to embrace screen-based trading systems, and see these as a way of accessing the large US customer base. To date, Eurex, the biggest European futures exchange which operates solely via a screen-based system, has been the only foreign exchange allowed to place trading terminals in the US. However, it, too, was barred from increasing the number when CFTC implemented a freeze and announced that it was drawing up formal rules. **Nikki Tait, Chicago**

CABLE TV

Oxygen Media appoints chief

Oxygen Media, the specialist cable television and internet company targeting women, has hired a senior executive from CBS to run its start-up cable network. Geoffrey Darby will be responsible for programming and integrating the Oxygen network with the company's growing array of internet services. His move from the post of executive vice-president at CBS cable reunites Mr Darby with Geraldine Laybourne, founder of Oxygen and also a Nickelodeon veteran.

Oxygen has since attracted high-profile investors including America Online, ABC, Carsey-Werner-Mandabach, a prolific independent TV production company, and Oprah Winfrey's Harpo Entertainment group.

Ms Laybourne, whose declared aim is to "superserve" the women's market with new media, said Mr Darby would lead her company's efforts to "invent future TV/internet forms". **Christopher Parkes, New York**

New lines in networking

By Roger Taylor in San Francisco

Business alliances are as common as silicon chips in the technology industry, but Nortel Networks, Intel, Microsoft and Hewlett-Packard regard their new grouping – announced earlier this week – as having the potential to reshape one of the fastest growing industries in the US.

The immediate aim is to supply companies with so-called "unified networks" – networking equipment which connect both computers and telephones.

Nortel could be accused of having instigated the alliance, because it is losing ground to competitors such as Cisco Systems. However, by giving such heavyweights as Intel and Microsoft a helping hand into the networking business, they may achieve the industry restructuring they are promoting.

The networking industry today is much like the computer industry in the 1970s, with each company controlling every aspect of their products – they build the boxes, use specially designed chips, and write their own operating systems and software.

The Nortel alliance aims to adopt the successful model of the PC industry, with different companies focused on chips, software and building finished machines. The first new products from the alliance will be Hewlett-Packard machines running Microsoft's Windows NT operating system over Intel chips to deliver Nortel software which combines telephone and computer functions.

Such new machines would be able fully to integrate telephones and computers. For example, computers would be able to read e-mail over the phone and print voice messages as faxes. A click on a web page would automatically put a telephone call through to the company. A call to your telephone would automatically pull up information about the caller on your computer screen.

Many companies are working to develop such systems, but Nortel argues its products will be the first to run both telephone and computer through a single network.

The main advantage of having one platform driving PCs and telephones is that it makes it much easier to write new applications linking the two. Everyone recognises that the value of networking equipment will increasingly reside in the applications it can perform.

Networking leaders such as Cisco say they are committed to industry standards which would allow independent software companies to write applications for their systems. But by linking with Microsoft and Intel, Nortel hopes to outflank Cisco. It is worth supporting someone else's operating system if it creates such an increase in the number of applications that can run on the machines.

For Microsoft and Intel, the move is the next natural step in their joint attempt to extend their reach from the desktop into the corporate network and ultimately, on to the public networks.

Microsoft's Window's NT has been rapidly gaining market share as the operating system for business networks, helped by alliances with companies such as HP which have developed machines running on NT which meet the highest standards of reliability.

Cisco and Lucent Technologies have been widely regarded as the natural leaders in the networking business, putting Nortel into a relatively weak third place. However, the alliance with Microsoft and Intel could in time present them with a real threat.

Bangkok to keep stake in Radanasin

By William Barnes in Bangkok

Thailand's government said yesterday that it will keep up to 49 per cent of the Radanasin Bank after its trailblazing privatisation this summer.

The cabinet approved guarantees against losses, designed to tempt cautious buyers, in a move that will provide a framework for later sell-offs.

The government has said it wants to move three lenders, including the Bangkok Metropolitan and Siam City banks, into private hands this year.

The Krung Thai Bank and BankThai are marked down for partial privatisation next year. Potential bidders include Morgan Stanley Dean Witter, Citigroup and the Hongkong and Shanghai Bank.

The sale of lenders taken over by the state has been slow because potential buyers have worried about the growth of non-performing loans.

The government said a 24 per cent stake was the minimum it would consider retaining, as at this level it would provide the central bank with decent profits from future earnings.

"We are making sacrifices so we want to share in the rewards," he said.

The Radanasin Bank was perceived last year as a good bank to support the Financial Restructuring Agency in its disposal of the assets of 56 closed finance companies.

In last August's government rescue plan, it was merged with the struggling Laem Thong Bank, whose largest creditor was the central bank's Financial Institutions' Development Fund.

If buyers insist on an assets split, an Asset Management Corporation will be set up by the central bank to buy the loans inherited from Laem Thong, to be managed by the bank or its partner.

The AMC will pay for the loans with long-term paper backed by FIDF guarantees and interest contributions for at least five years – until the management entity starts generating its own income. The fund will not sustain losses greater than Radanasin's provisioning for bad debts before the separation of assets. The bank and its new shareholder will have to absorb at least 15 per cent of any additional losses suffered by the AMC, a ratio that can be altered depending on the economy.

Citigroup to expand

Citigroup, the financial giant created by last year's merger between Travelers Group and Citicorp, will announce a number of key strategic alliances, tie-ups and acquisitions for Asia-Pacific in coming months, said Simon Williams, Citibank's head of consumer banking in the region, AP-DJ reports from Singapore.

A number of important alliances were in the pipeline and would be rolled out in the next three to six months, Mr Williams said.

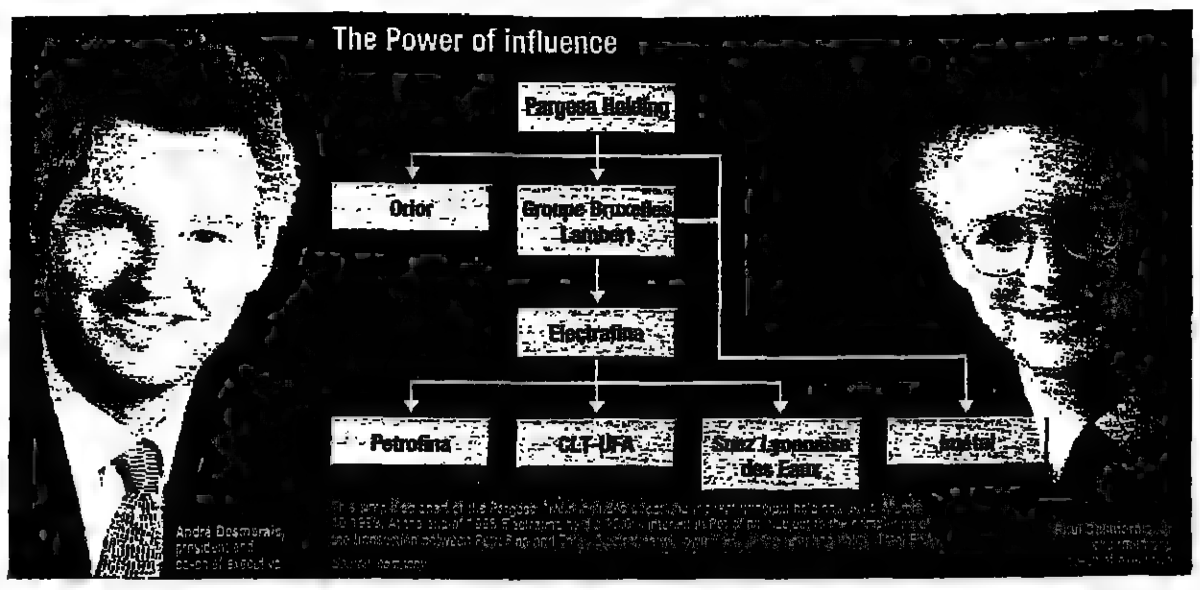
He added that the bank now had a full-time team to look at potential acquisitions across the region.

The $87.4m purchase in January of the remaining 78 per cent of Diners Club Australia that Citibank did not already own, and the mid-1998 tie-up with Cathay Pacific Airlines to launch the Citibank Cathay Pacific Visa card in Singapore are just two recent initiatives "to build market share, and maximise the return to our shareholders", he said.

Given the increased product range in Asia, real earnings should continue to grow in 1999, following an estimated 30 per cent rise in 1998, Mr Williams added.

Europe expansion to be next big Power play

The Canadian financial services giant is spreading its net beyond its home shores, reports **Edward Alden**



Power Corporation, the Canadian holding company, is aptly named.

The secretive Montreal-based company acquired three decades ago by Paul Desmarais, now one of Canada's wealthiest financiers, controls the country's largest insurance and mutual fund businesses and has been involved in dozens of deals that have reshaped the Canadian corporate landscape.

While the company remains virtually unknown outside Canada, over the past decade it has quietly acquired strategic positions in several important European industries, including broadcasting, utilities and speciality minerals.

In an equal partnership with the similarly media-shy Belgian financier Albert Frère, Power has become one of the most influential investors in continental Europe.

Its market capitalisation of C$8bn (US$5.2bn) puts it in the top handful of Canadian companies, and Power has flourished at home through a rare mix of patience, personal relationships and a strategic vision that has led to some well-timed acquisitions and dispositions. It is a formula the company is now trying to bring to its European operations.

Last month, the Desmarais-Frère alliance engineered the £756m ($1.2bn) takeover of English China Clays, the UK speciality chemicals producer, by Imétal, the French minerals and chemicals company.

Power and the Frère Group, through their joint holding company Pargesa of Switzerland, hold a 60 per cent stake in Imétal and plan to build the company into the largest speciality minerals producer in the world.

In 1997, the group negotiated the merger of CLT, the Belgian broadcaster, with UFA, the broadcasting subsidiary of Germany's Bertelsmann group, to create the largest television and radio group in Europe. It has TV and radio stations in 12 countries as well as significant investments in production and broadcasting rights.

In late 1996, Pargesa sold its interest in Tractebel, the Belgian energy group, and used the proceeds to become the largest shareholder of Suez Lyonnaise des Eaux, the French utility that is aiming to become the world leader in providing water and waste management services to municipalities.

Until late last year, the Desmarais-Frère partnership also held 22 per cent of Petrofina, Belgium's largest oil company. With the sale of Petrofina to Total of France for US$39bn, the stake has been reduced to 7 per cent, but the group is still the largest shareholder in what is now the world's sixth largest oil company.

Despite all this manoeuvring, Power's ambitions in Europe are in their early stages. The company's formal partnership with the Frère Group does not expire until 2014, and Power has no debt and more than C$3bn in cash available for future acquisitions.

Paul Desmarais Jr, who with his brother André took over day-to-day control from his father in 1996, says Power's philosophy is one of "active" shareholding.

"We're long-term shareholders and when we buy things we want to keep things," he says. "We don't sell unless we feel we're at an impasse from an industry point of view. We try to build and grow."

The company aims for control or significant influence in properties with long-term growth prospects, and tends to dispose of holdings that do not fit those criteria.

Its ability to carry out that programme is helped by the fact that, while Power's shares are broadly held, voting control remains with Paul Desmarais Sr, chairman of Power's executive committee. "It's an advantage to be able to distance yourself from quarterly earnings phenomena and make long-term, sustainable franchise judgments," says Mr Desmarais Jr.

In North America, Power's main holdings are financial services properties it has owned for three decades. These include an 80 per cent interest in Great-West Life Assurance, Canada's largest insurance group, and a 67.4 per cent stake in Investors' Group, the biggest mutual fund company in Canada.

In 1997, Great-West made the largest financial services acquisition in Canadian history when it bought London Insurance Group for C$2.9bn, outbidding the country's top bank, the Royal Bank of Canada. The purchase will give Power an unassailable position for years to come, because other Canadian insurance companies are just beginning the transition from mutually-held to investor-owned status.

The Desmarais have known when to sell as well as buy. In 1989 they sold Consolidated-Bathurst, the paper company, just before the pulp and paper market collapsed, and disposed of Montreal Trust just as the trust companies were being gobbled up by the banks.

In both cases, says André Desmarais, while the timing was fortunate and Power realised sizeable profits, the decisions were strategic rather than tactical. The company saw no opportunity to become a dominant global player in pulp and paper, or to compete with the banks through a trust company.

In Europe, the same logic has seen Power dispose of a raft of financial service holdings in companies that were too small to be large forces in a consolidating industry.

Over the past year, for instance, Power has sold its interest in Banque Bruxelles Lambert, Belgium's second largest commercial bank, to ING of the Netherlands, and its interest in Belgian insurer Royal Belge to Axa-UAP. Pargesa has realised more than SFr1.4bn ($957m) in profits from sales over the past three years.

Paul Desmarais Jr says that no other North American group has built the same web of connections in Europe that Power enjoys.

Like the best of Canada's business and political elite, the top officers are all bilingual and move easily between French and English-speaking cultures. But Power's business approach, he says, is very much the North American one of maximising shareholder value, and Power has tried to change the business culture of the companies it controls.

Mr Desmarais Jr says that when he became a director of Imétal several years ago, he visited one of the company's mines and was informed he was the first director ever to set foot on the property. After sympathising with the mine manager over demands from head office, the manager piped up: "Oh yes, they forced us to do budgets two years ago."

"For a North American to hear this, you think to yourself: 'Budgets, wait until they hear about return on investment'," says Mr Desmarais. "You either say to yourself I'm scared to death or this is opportunity time."

With its aggressive expansion in Europe continuing, Power has clearly decided it is indeed opportunity time.

SIA keen on stake in Thai Airways

By William Barnes

Singapore Airlines wants 23 per cent of Thai Airways International, Suthep Thaugsuban, Thai transport minister, has confirmed.

However, Thai executives fear privately that the 93 per cent state-owned carrier might take lessons in efficiency in the short term, only to find later it has invited in an investment Trojan horse.

For Singapore cannot hope to match Thailand as a tourist destination nor equal its bargaining power for landing rights.

The city state has tried to deflect these worries by pushing the idea that Singapore and Bangkok could become the region's twin aviation hubs by working together.

Analysts were sceptical about Mr Suthep's claim that state enterprise laws might prevent an equity sale to a direct competitor.

"What on earth are Lufthansa, Swiss Air and Qantas?" asked one observer, citing other potential bidders mentioned by Mr Suthep.

A nervous Thai management also wonders how it will cope with the "tough" western managers in Lufthansa or BA (Qantas's equity partner) who might overpower them and wrest too much control over the structuring of lucrative routes.

The more culturally attuned managers at Singapore Airlines may yet prove attractive. "We are definitely going to make a proposal," confirmed Cheong Choong Kong, SIA chief executive.

SIA made an aborted bid for a stake in China Airlines in January and has made an offer, with Lufthansa, for some of South African Airways.

The IMF was promised the long-delayed further privatisation of Thai Airways when Thailand signed up for the $17.2bn rescue package in 1997.

COMPANIES & FINANCE: ASIA-PACIFIC

AIRLINES RESTRUCTURING PLAN ANNOUNCED AS GROUP CONFIRMS IT WILL RETURN TO BLACK

JAL to cut 1,300 jobs and slash board size

By Alexandra Harney in Tokyo

Japan Airlines yesterday unveiled a sweeping restructuring plan that includes more than halving the number of board members and eliminating an additional 1,300 jobs – on top of 3,300 job cuts announced last October – and it confirmed it would return to the black this year.

Isao Kaneko, president, said the group expected to achieve a Y10bn ($85m) net profit on a parent basis, although sales would be slightly below the Y1,153bn forecast.

The plan is geared towards improving efficiency within the JAL group, which also includes hotels and resorts, and generating an ordinary profit of Y30bn a year starting this year, while reducing interest-bearing debts to Y1,400bn from Y1,500bn in 1997. JAL has not recorded a net profit since 1991.

Chief among the new reforms are a reduction in board members from 28 to 11 and increased use of Japan Air Charter, a lower-cost subsidiary carrier, as a scheduled airline. The new board structure would be installed next month, JAL said. "We decided to trim the number of board members to speed up decision-making," said Mr Kaneko.

The company did not specify how the 3,600 jobs, 10 per cent of the total workforce, would be eliminated.

In recent months, JAL has expanded use of JAL Express, a domestic carrier, to cut costs on its domestic routes. The more flexible pay scales for pilots and crew on subsidiary airlines mean that JAL can lower overall labour costs by increasing the ratio of flights served by these carriers.

The company also said it would promote the flotation of subsidiaries, specifically in catering, distribution and information systems divisions, which could improve cash flow.

Analysts have praised JAL's plans to lower its cost structure, to compare with lean rivals in the US. However, Douglas Hayashi, analyst at HSBC Securities in Tokyo, argues that the downward pressure on fares and the high cost of landing and using Japan's largest airports have hampered domestic airlines' cost-cutting efforts.

Shares in JAL surged 11.3 per cent, or Y36, to close at Y356 in an advancing market yesterday.

Smugglers' loss in China proves healthy gain for Zhenhai

Successful government crackdown on illegal oil imports has lifted prices to improve refinery's earnings, writes **James Harding**

To understand why Jiang Zemin, China's president, has championed an anti-smuggling campaign, look at Zhenhai Refining's bottom line.

China's largest diesel refinery experienced a significant recovery in earnings in the second half of last year, as the crackdown on illegal imports of oil products enabled a 30 per cent increase in Chinese diesel prices and a resumption of sales to many companies that had previously relied on smuggled fuel.

Zhenhai Refining and Chemical Company, the formal name of the Hong Kong-listed company, is expected to tell investors later this month that it achieved pre-tax profits of just over RMB600m ($72m) for the full year 1998, still well below the RMB935.3m for 1997 but a rebound in earnings in the second half of last year.

Sun Weijun, general manager of Zhenhai, said: "Smuggling has had a huge impact on the oil and petrochemical industry." The company's net profits fell almost 40 per cent in the first half of last year as illegal imports flourished. "But since last year, when Jiang Zemin and [prime minister] Zhu Rongji took anti-smuggling measures, the situation has become much tighter. The smuggling has basically stopped," he said.

The result has been a welcome recovery in prices for the 65 refineries struggling in China's oil products market, where demand has weakened, inventories have grown and illegal imports have undercut domestic producers.

Following the launch of the anti-smuggling drive, Mr Sun calculated that the cost of a tonne of diesel from the refinery gate had risen from RMB1,475 in the middle of last year to RMB1,920 at the beginning of 1999.

Zhenhai, one of the few coastal refineries designated to supply fuels to foreign-invested enterprises, has been able to lift sales to foreign companies which have previously relied on imports, analysts say. The differential between China's oil prices, which are controlled by the government to protect inefficient state-owned petroleum and petrochemical enterprises, and international oil prices, which before tax and tariffs are less than half the cost of Chinese products, may continue to lure people into smuggling.

But Mr Sun said he was confident the government would maintain its aggressive drive against illegal imports, which recently included the sinking of a smugglers' ship off the Chinese coast by China's navy.

Nevertheless, Zhenhai, a subsidiary of the giant state-owned China Petrochemical Corporation (Sinopec), has put expansion plans on hold until it sees a substantial pick-up in domestic demand. By the end of this year, the refinery's comprehensive processing capacity will have been increased to 12m tonnes a year.

Zhenhai has committed itself to developing a network of petrol stations, having seen how many international oil companies have mitigated the effects of the slump in world oil prices through earnings from their retail business. The company, which already has 70 petrol stations, will increase that number to more than 100 by the end of the year.

On the awkward issue of a $20m deposit that Zhenhai has been unable to recover from China Orient Trust and Investment, a subsidiary of the state-owned Bank of China, Mr Sun said the company was in discussions and "optimistic" about the outcome.

The $10m deposited with the local Ningbo International Trust and Investment Corporation (Nitic) and the RMB10m deposited with another local trust and investment company have been recovered, he said.

The longer-term challenge, though, is the liberalisation of China's heavily protected oil market. China's entry into the World Trade Organisation is likely to be at the heart of discussions when the Chinese prime minister visits Washington next month, and Zhenhai is facing up to the prospect of direct foreign competition some time in the future.

"The market will be opened up sooner or later and the question is, how are we going to compete with international companies?" Mr Sun said.

International competition may put many of the state-owned refineries in China out of business. Even for Zhenhai, one of the very few companies in the troubled Chinese petrochemicals sector still favoured by analysts for prudent management and relatively efficient production, market opening would mean a sharp fall in profits, Mr Sun said.

Against the international oil leaders, Zhenhai's small production scale and limited product grade and quality could prove obstacles. But Mr Sun indicated Zhenhai could at least "have the capacity to compete with international companies".

Corporate growth and stock ratings
Year to Dec

	PE Ratio		EPS growth	
	1998*	1999*	1998* (%)	1999* (%)
Zhenhai Refinery	10.5	8.1	-31.7	29.4
Shanghai Petrochem	n.a.	765.8	-102.1	n.a.
Jilin Chemical	54.8	39.5	-13.9	39.1

Source: ING Barings Securities * Forecast

Telkom urged to end contracts

Parliament yesterday urged Telekomunikasi Indonesia, the domestic telephone utility, to cancel troubled joint-operating contracts with foreign partners such as Cable and Wireless, Cables & Radio of France, Telstra of Australia and Singapore Telecom and US West, **Sander Thoenes writes in Senggigi, Lombok.**

A parliament commission said Telkom, which is majority state-owned, should terminate the contracts starting April 1 and take over the liabilities.

Its chairman said the partners, which expand and operate networks in five regions of Indonesia, had failed to deliver the targeted number of new lines or transfer technology.

Telkom has been under fire for agreeing to lower targets and revenue from the partnerships, which have been pressed by more than $1bn in off-shore debt since the rupiah collapsed. But it has insisted the contracts should be maintained, as cancellation would bring high compensation claims and takeover of the debt.

NEWS DIGEST

CAR COMPONENTS

Denso buys majority stake in Magneti Marelli arm

Denso, the leading Japanese car components maker, has spent L260bn (€134.3m, $147m) to purchase a majority stake in the rotating machines division of Magneti Marelli, the Italian components company affiliated with the Fiat group, as part of a plan to expand its businesses overseas.

The all-stock deal was aimed at strengthening Denso's electromechanics motor operations, which include making the rotating parts used in alternators and starters in car engines, the company said. Denso bought all of Magneti Marelli's 80 per cent stake in its rotating machines unit in a friendly deal last week.

The acquisition marked Denso's first purchase of a foreign company since 1992, when it bought Flexdrive, an Australian car parts maker that specialised in meters, cables, and motors for Y4bn ($33.9m).

It underlines the gap that has emerged between strong and weak companies in Japan's car components sector amid the collapse in vehicle sales to their lowest levels in 12 years. Last month, Robert Bosch bought a majority stake in Zexel, a Japanese parts maker, in what analysts called the first of many cross-border deals in the Japanese components sector.

Denso, like other Japanese parts makers, has been criticised by some analysts for relying too heavily on the domestic market. The group, which is owned 24.5 per cent by Toyota Motor, had an export ratio of only 23 per cent last year. Christopher Redl, analyst at Morgan Stanley Dean Witter, said that mergers and acquisitions overseas would be critical to the group. The announcement was made after the close of trading. Shares in Denso advanced 1.9 per cent to Y2,400. **Alexandra Harney, Tokyo**

ELECTRONICS

Hyundai in $550m disposal

Hyundai Electronics has sold a 90 per cent stake in ChipPAC, its semiconductor assembly subsidiary, to a US financial consortium led by Bain Capital and Citicorp Venture Capital for $550m.

Hyundai said it would use the proceeds to help finance its planned takeover of LG Semicon to create the world's largest memory chip producer. Based in Santa Clara, California, ChipPAC has plants in Korea and China.

The Hyundai group, South Korea's largest conglomerate, raised $5bn in overseas capital in 1998 and plans to raise another $4.5bn by selling assets and equity stakes this year in an effort to reduce its debt-equity ratio to 200 per cent from 323 per cent in 1998.

Hyundai Electronics is expected to account for nearly half of this amount. It sold another US subsidiary, Symbois Logic, to LSI Logic for $760m last year and has raised $710m through the listing and new share issues for Maxtor, its hard disk drive maker. **John Burton, Seoul**

SINGAPORE

DBS Land falls into red

Singapore property developer DBS Land swung into a net loss of S$239m (US$139m) in 1998 from a net profit of S$182.3m a year earlier. "Group results were severely impaired by provisions, operating losses and reduced contributions from most of its businesses," the company said.

Total provisions for 1998 were S$425.1m, including S$350m posted in the second half. The loss came despite a 31 per cent increase in revenue to S$1.42bn in 1998 from S$1.08bn in 1997, the group said. **AP-DJ, Singapore**

TAIWAN

Chipmakers agree alliances

Two of Taiwan's top chipmakers yesterday announced agreements with Japanese companies that will allow them to upgrade their product lines, further cementing the island's position as a semiconductor powerhouse.

United Microelectronics (UMC), one of the world's biggest producers of made-to-order logic chips, said it had forged a strategic alliance with Kawasaki Steel under which they would jointly develop the technology to produce 0.18-micron application-specific integrated circuits. It said Kawasaki Steel would now suspend plans to open a production plant for such chips.

Winbond Electronics, a big supplier of D-Ram (dynamic random access memory) chips, said Toshiba had granted it a licence to use 0.175-micron and 0.15-micron complementary metal oxide semiconductor technology. The technology, developed by the Japanese company jointly with IBM and Siemens, would eventually allow Winbond to produce 512-megabit D-Ram chips. **Mure Dickie, Taipei**

COMPANIES & FINANCE: UK

CHEMICALS FRENCH GROUP TRUMPS ALBEMARLE'S OFFER BUT OTHER POTENTIAL BIDDERS MAY BE IN WINGS

Rhodia bids £455m for Albright & Wilson

By Lucy Smy

Rhodia, the French chemicals group, has made a £455m ($279m) bid for its UK rival, Albright & Wilson, offering shareholders 145p per share and trumping an earlier offer of 130p from Albemarle of the US.

Shares in Albright rose 10¼p at 148½p, reflecting market hopes that Albemarle might come back with a higher offer. The US company Albemarle would only say it was considering its position.

Of the two bidders, Rhodia is thought to have the more scope to extract cost savings from a takeover. Both Rhodia and Albright make wetting and foaming agents, called surfactants, and phosphate-based chemicals. Albemarle specialises in bromide-based chemicals.

Last week Albright's board tentatively recommended Albemarle's offer to shareholders, but the offer was not backed by the company's majority shareholder, Phillips & Drew. P&D yesterday threw its 23.1 per cent stake behind the higher offer from Rhodia, pledging support unless a bid of more than 160p per share emerged.

Analysts said the chances of such a high bid were "slight", although industry sources said at least two more potential bidders were looking at Albright.

Rhodia is 68 per cent owned by Rhône-Poulenc of France, which is merging its life science business with Hoechst of Germany, and plans to dispose of the stake within 12-18 months.

The structure of bid allows both Rhodia and Rhône-Poulenc to keep the deal off their balance sheets until the end of the year. Rhodia has set up a vehicle called ISPG with Donau Chemie, a privately-owned Austrian industrial chemical company, to bid for Albright.

ISPG will be a wholly-owned subsidiary of Donau Chemie – itself spun off from Rhône-Poulenc in 1996.

If ISPG's bid succeeded, Albright would be held, as if in trust, by Donau until Rhodia could take control of the company. Rhodia would have a call option to buy back control of Albright from January 1, 2000 and would pay a premium to Donau – expected to be 20-25 per cent of Donau's £14m contribution.

The bid would be part-funded by £390m of loans from Paribas and Crédit Lyonnais, guaranteed by Rhodia. The company would also raise £50m through an issue of convertible bonds while Donau would contribute £14m of equity.

Lex, Page 14

€1.8bn fund puts Apax in top tier

By Katharine Campbell

Apax Partners has leapt into the big league of European private equity houses with the completion of its latest €1.8bn ($1.9bn) fund, which will invest significant sums in early stage companies as well as leveraged buy-outs.

Most of the largest vehicles – such as those assembled by CVC Capital Partners, Doughty Hanson and Cinven – concentrate on buy-outs. However, Apax has amassed €600m to be spent over the next three years in start-up and early stage businesses.

Although less than 31, which invested an estimated £350m in early stage businesses in the past 12 months, Apax's commitment establishes it as one of the largest presences in the field.

Early stage returns have historically been poor in Europe – in contrast with the US – which is the main reason that leveraged buy-out funds have proved so popular.

Unusually, Apax said it had done equally well in its early stage and buy-out investments, although it declined to reveal specific returns.

It increasingly invests substantial sums at one go, recently putting $20m into Jazztel, a start-up in Spain, and $12m into QXL, a new UK online auction site.

Until now Apax had raised much smaller, national funds – with £313m for the UK and DM260m ($144m) for Germany in its last exercise. A €300m vehicle for France that has just closed its fundraising is not yet part of the new pan-European organisation.

About 60 per cent of the money for the regional fund came from the US, with the rest from Europe.

Liffe £64m in loss as Eurex wins trade

By Edward Luce

The London International Financial Futures and Options Exchange incurred a heavy loss last year – its first deficit since 1985 – as trade volumes migrated to its chief competitor in Frankfurt.

The exchange, which says it expects to make a loss again this year, was hit by unexpectedly fierce competition from Eurex, its Frankfurt-based competitor, which deprived the exchange of its most lucrative contract – the future on the 10-year German government bond. It also prompted Liffe to embark on an expensive switch from floor-based to screen-based trading.

The exchange, which made a pre-tax loss of £64m in 1998, said it planned to return to profit by the start of the millennium. Last year's heavy losses, which followed a pre-tax profit of £52m in 1997, stemmed from an £81m provision set aside to finance a complete overhaul of the exchange which included cancellation of plans to move to a bigger trading floor in Spitalfields and a steep redundancy programme reducing Liffe's headcount by more than half to 400. The provision also included the cost of developing the exchange's electronic trading platform, Liffe Connect.

Excluding the provision, Liffe made a pre-tax profit of £17m, less than a third the net earnings of the previous year. Brian Williamson, chairman of Liffe, said Liffe had included all its restructuring costs in the results. "1999 will be a year of transition", said Mr Williamson. "We have paid a necessary cost to put the exchange on a competitive footing again."

However, observers warn that Liffe will struggle to recapture the strong revenue growth it enjoyed before Frankfurt muscled in on its market. The exchange, which has seen its market capitalisation drop from a peak of £300m last May to just £58m yesterday (up from a low of £36m in December), has been forced to match fee holidays offered by Eurex on its contracts. These are unlikely to be withdrawn.

Monetary union has also diminished volatility within the euro-zone and thus reduced demand for derivatives to hedge against this volatility. "Liffe will eventually have to spread its wings to find new markets," said the head of derivatives at a US bank. "It will also have to form alliances with other exchanges."

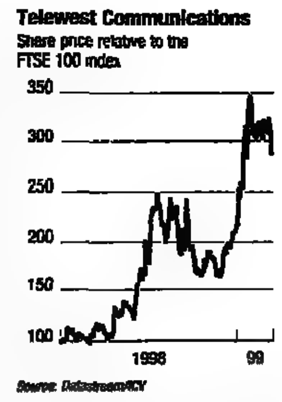
RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglo Pacific	Yr to Dec 31	4.38	(4.02)	2.33♥	(2.34♥)	2.21	(2.44)	0.1	July 30	-	0.1	-
Antofagasta	Yr to Dec 31 ★	111.4	(152.8)	36.8♠	(146♥)	17.9†	(85.1)	5	June 10	4.75	7.25	7
Bodycote Intl	Yr to Dec 31	320	(206.5)	76.2♥	(51.1♥)	52.5†	(40.2)	7.75	-	6.5	12	10
Brammer	Yr to Dec 31	238.4	(223.1)	23.9	(30.5)	35.2	(45.8)	11.8	July 1	11.6	17.8	17.2
Britax Intl	Yr to Dec 31	628.3	(674.7)	120.1♥	(45.4)	25.9	(6.69)	3.278‡§	Apr 1	3.05‡	4.193‡§	3.9‡
Capital Corp	Yr to Dec 27	54.3	(60.7)	3.54♠	(12.4♠)	1.84	(7.86)	2	May 21	3	3	5.125
Charter	Yr to Dec 31 ★	1,213	(1,114)	88.1	(64.1♠)	57.4	(30.7)	22	May 17	22‡	31.5	31.5‡
Coca-Cola Beverages	Yr to Dec 31 ¥	1,205	(1,203)	15.5L♠	(24.1)	3L	(1.6)	-	-	-	-	-
Computacenter	Yr to Dec 31	1,586	(1,134)	64.8	(47.1)	27†	(20.7)	2.5	May 21	-	2.5	-
Cortecs	6 mths to Dec 31	3.2	(3.9)	11.5L	(9.1L♠)	7.2L	(5.9L)	-	-	-	-	-
Dentmaster ф	6 mths to Dec 31	5.1	(2.46)	0.217	(0.173)	0.114†	(0.087)	-	-	-	-	0.116
Derwent Valley	Yr to Dec 31 ★	29□	(21.4□)	10.6♥	(9.4♥)	16.25†	(16.01)	5	June 7	4.65	7.2	6.7
Dorling Kindersley	6 mths to Dec 31	87.4	(91.3)	4.71	(4.05)	4.3	(3.6)	1.5	May 21	1.5	-	4.6
Eclipse Blinds	Yr to Dec 31	48.1	(45.4)	6.53	(6.27♠)	9.07	(9.25)	2.4	May 31	2.4	3.72	3.6
Financial Objects	Yr to Dec 31 ★	21.7	(15.9)	5.44	(2.02)	10.45†	(8.28)	-	-	-	-	-
Finlay (James)	Yr to Dec 31 ★	214.1	(178.5)	16.2♥	(13.9)	10.8	(10.2)	3‡	Apr 1	2.35	5‡‡	4.15‡‡
Global	Yr to Dec 23	114	(131)	3.07♠	(1.65L)	1.35	(1.51L)	0.49	May 28	0.47	0.73	0.7
Headlam	Yr to Dec 31	327.6	(270.3)	22.9	(18.1)	23.1	(19.3)	6.4	July 2	5.3	8.5	7.05
Kalon	Yr to Dec 31	474.3	(472)	37	(45.2)	6.4	(7.42)	4.2	May 14	4.2	6.2	6.2
Metalrax	Yr to Dec 31	105.8	(101.3)	14.1	(13.2)	7.9	(7.36)	3.35	May 28	3.15	4.6	4.15
MTL	Yr to Dec 31	45.9	(42.2)	5.46	(5.12)	18.3	(17.4)	3.5	May 12	3.2	6	5.5
Prestbury ф	Yr to Dec 31 ★	9.91	(7.27)	3.65♥	(0.831L♠)	0.081	(0.3L)	-	-	-	-	-
Ronson	Yr to Dec 31	18.5	(26.3)	4.92L	(11.5L)	1.29L†	(11.93L)	nil	-	nil	nil	nil
Royal Doulton	Yr to Dec 31	238.8	(252)	42.6L♠	(6.21♠)	76.97L	(6.82)	nil	-	7.7	2.3	10
Secure Tst Banking	Yr to Dec 31	-	(-)	11.4	(10.7)	52.3	(50)	18	May 17	16	26#	23
Semple Cochrane	6 mths to Dec 31	26.6	(22.1)	1.25	(0.94)	9.88	(7.94)	1.63	May 31	1.33	-	4
Simon	Yr to Dec 31 ★	194.3	(235.6)	14.6	(11.3)	5.2	(3.8)	0.68	May 10	0.64	1	0.64
Tarmac	Yr to Dec 31	3,160	(3,016)	131.4♠	(115.2♠)	8.8	(8.1)	2.8	June 21	2.65	5.8	5.65
Taylor Woodrow	Yr to Dec 31	1,406	(1,306)	100.3	(82.1♥)	17.1	(14.2)	3.6	July 1	3.25‡	5.1	4.5‡
Telewest Comms	Yr to Dec 31	530.2	(386.5)	313.6L	(309.9L)	17.8L	(19.9L)	-	-	-	-	-
Tinker	Yr to Dec 31	19.4	(18.2)	1.77	(1.28)	10.68	(7.69)	3	July 5	2	4.5	3
Wolseley	6 mths to Jan 31	2,602	(2,331)	132.9♠	(134.6♥)	15.06	(15.12)	3.75	July 30	3.5	-	12.5
Wood (Arthur)	Yr to Dec 31	3.49	(4.81)	0.023	(0.4)	1.06	(15.09)	nil	-	5	1	7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡Foreign income dividend. ‡‡Includes FID element. §Includes nominal final of 0.001p payable in January 2000. ¥Pro forma. фAim stock. □Gross rental income. ☆Comparatives for 10 months. #Excludes special.

COMMENT

Telewest



The Mexican shoot-out devised by Telewest and NTL to resolve ownership of their joint-venture London franchise is suitably macho. It reflects the bullishness that has infected cable operators since last year's revaluation of the sector. No-one wants to sell assets. Under the arrangement, unless both parties want to keep the joint venture alive, NTL must make its best bid to Telewest, which can then buy NTL out or sell its 50 per cent share at that price. This favours Telewest, as it will have the final say. Shareholders must hope it chooses wisely. The fear is that Telewest's keenness to expand may lead to its taking its eye off the digital ball.

Although it is giving British Sky Broadcasting and On Digital a year's start in digital, there is still everything to play for. New cable subscriptions are soaring. But switching customers to digital is going to be costly. Paying a high price for a London franchise now might dull its appetite for the digital opportunity.

Unigate/Terranova

UK food producers, which have been put through the mincer by powerful retail customers, are in desperate need of consolidation. Unigate, the one with money in the bank, is super-keen to perform that role.

Investors took fright last year when it tried to buy the whole of Hillsdown, including furniture and housebuilding, for nearly £2bn. Now it has focused its attention on a tantalising spin-off from the conglomerate. If it could get Terranova for less than £250m, including debt, investors would forgive it not only the Hillsdown over-reach but also November's warning that profits growth had stalled.

However, Unigate is unlikely to succeed with an offer of 125p a share. Terranova's recent low of 75p says more about the sector and the unfashionableness of small companies than its own merits. Chilled convenience foods are one of the growth areas on supermarket shelves, and Buxted chickens, a Hillsdown legacy, should show some recovery this year.

Terranova could push operating profits up to about £30m, excluding of central costs that Unigate could strip out. This suggests an initial after-tax return of about 8 per cent at the offer price without any other synergies. Unigate could justify a bid 10 per cent or so higher.

Unigate in hostile bid

By Alison Smith

Unigate, the foods and distribution group, yesterday launched the first significant hostile bid in the UK food sector since 1992, with a £228.5m ($368m) cash offer for Terranova, the chilled convenience foods group.

The offer, at 125p a share, was rejected by Terranova as "significantly undervaluing" the business.

Terranova was demerged from Hillsdown Holdings last autumn. Its shares rose 31½p yesterday to 135½p, suggesting investors believe it is likely to fetch a higher price.

Shares in Unigate closed unchanged at 410½p.

Unigate is advised by Lazard Brothers while Schroders is advising Terranova.

IT stocks hope they will attract attention in their new settings

FTSE International's reclassification has been accused both of lagging behind and anticipating trends, writes **Caroline Daniel**

All change for the FTSE

In just over two weeks, the UK's listed IT companies will find themselves in a new set of categories. The changes form part of a wider reshuffle of the FTSE indices, designed to help investors compare companies across national boundaries, and within sectors.

But not everyone is convinced that the exercise will improve investors' understanding of IT. "They are trying to contain the uncontainable," says George O'Connor, IT analyst at Granville, the investment bank.

The rejig by FTSE International, the organisation that manages the FTSE range of indices, will bring the UK more in line with the rest of the world.

From April 1, IT companies will be marshalled into two new sectors, one covering hardware, the other software and computer services. These in turn will be split into six sub-sectors: hardware, software, computer services, internet, telecommunications equipment and semiconductors. The combined group is valued at about 1.5 per cent of the FTSE All-Share Index.

This follows the introduction last year of a sub-index for IT companies that encountered an enormous appetite for the shares from fund managers, eager to catch the IT tide. Within two months, the index had risen 30 per cent. Last Friday, it nearly hit last July's high.

Despite investors' obvious appetite for stocks in the index, some analysts are sceptical about the latest bout of spring-cleaning.

"I know the FTSE people are trying to be pro-active, but Nasdaq does not even break it into these things," says Coleen Kaiser, senior IT research analyst at Bank Boston Robertson Stephens.

"The changes could raise a lot of awareness, but if it is done wrongly – which it appears they are going to – it will be misleading to investors".

For Ms Kaiser and others there are three main concerns.

First, they question whether the changes will be as significant as the big change last year. Fund managers are already aware of the growing importance of IT, and have been building research teams to help deepen their understanding of it.

"There is more awareness among institutions about technology. It is already transformed on a year ago," says Andrew Hawkins, of the technology group at WestLB Panmure.

Second, critics question the efficacy of sub-sectors as a shorthand for what companies do. In theory, only companies that derive more than half their profits from hardware, say, will be listed in this category. Failing that, turnover is the determinant.

But in practice, companies are much harder to dissect than that. In the IT sector, where businesses are constantly moving on to each other's territory, it is hard to make a neat incision between software, hardware and computer services.

Mr Hawkins says: "I'm a little amazed by some of the classifications. They have put Azlan in computer services, yet it is a distribution company. What it is doing in computer services is a mystery to me."

Confusion like this has led Granville to devise its own, more complex way of categorising IT companies, involving 12, rather than six, sub-divisions.

The critics' third concern relates to the internet sub-sector. What is an internet stock? Should e-commerce consultancies be included? Should this brave new category be reserved for pure internet plays, such as internet service providers, or for those eager to daub themselves with the seductive glitter of the internet by putting ".com" after their names?

Should this brave new category be reserved for pure internet plays, such as internet service providers, or for those eager to daub themselves with the seductive glitter of the internet by putting .com after their names?

An eclectic group have been deemed "internet stocks". They are not yet representative of what is going on the UK, excluding companies such as Zergo, an internet security company, as well as Dixons, the retailer, whose Freeserve operation has helped it to gatecrash the internet market.

The sub-sector includes Dialog, Easynet, Internet Technology Group, Gresham Computing, Voss Net, Net-Call and VirtualInternet. Five of them are tiddlers listed on Aim. Its total value is 0.03 per cent of the FTSE All-Share.

It is hard to find a common thread here. Dialog, which lobbied hard to be listed in this sub-sector, provides online information services. Gresham Computing is busy reinventing itself as an e-commerce play. And Voss Net is a tiny service provider.

The underlying problem is that the listed UK internet market is underdeveloped. Compare the UK's meagre fare with the new Dow Jones internet index launched in February.

This tracks 40 stocks, divided into e-commerce and internet services. It boasts internet luminaries such as Yahoo!, Amazon.com and eBay.

Graham Colbourne, secretary to the FTSE classification committee, acknowledges "shortcomings", but hopes the list may "encourage investors to focus on the sector". Analysts think this visibility could translate into higher valuations for companies included. "It is an area where there will be stratospheric ratings," says Mr Hawkins.

One company director has mixed feelings about being in this group. "We don't want to be considered only as an internet stock, particularly with the negative press from the US. We are not a typical internet stock. We make good revenues and substantial profits."

Even so, he is unlikely to push to change the listing: "Anything that helps increase our visibility and focus the attention of the business community has to be a good thing."

NEWS DIGEST

FOOD PRODUCERS

Coca-Cola Beverages falls £15.5m into the red

Problems in Ukraine and Belarus pushed Coca-Cola Beverages – Coke's anchor bottler for eastern and central Europe – £15.5m ($25m) into the red in 1998.

Neville Isdell, chairman and chief executive, said the group had mothballed one plant and cut the workforce in Ukraine and Belarus by more than half to less than 1,000. "We have cauterised the wound," he said, adding that this would ensure the markets would not be a drag on earnings. The actions led to an exceptional charge of £14.2m, in addition to a £15.4m charge for listing and reorganisation. The pro forma outcome compared with profits last time of £24.1m.

Excluding the two former Soviet states, volumes rose by 8 per cent. But total sales by value were flat at £1.2bn mainly because of the strength of sterling. The shares – floated in July at 160p – fell 2½p to 89p.

The group will pay £15m for the Coke bottler for north-eastern Romania. Mr Isdell said the Romanian market would remain difficult, but denied it could meet problems like those in Ukraine and Belarus, where inflation hit 120 per cent. **David Blackwell**

BUILDING MATERIALS

Wolseley builds on US market

A strong US housing market helped lift profits at Wolseley, the builders' and plumbers' merchant, by 15 per cent in the first half. Profits from the group's US outlets grew by almost a third to £74.7m, contributing to a 14 per cent rise in profits before goodwill amortisation and exceptionals to £142.5m. However, pre-tax profits for the six months to January 31 dipped 1.3 per cent to £133m, depressed by £7.7m of exceptional charges related to the acquisitions of Hall & Co and Porcher, and loss on a disposal.

CHEMICALS

Kalon to treble outlets in France

Kalon, the paints group that is in takeover talks, is to treble its trade-centre outlets in France, its largest market, this year. Mike Hennessy, managing director, said the format would also be used in Poland where the group has just purchased a majority stake in the local producer. By the end of the year, Kalon will have 42 centres in France and will lift its total by 12 to 177 in the UK. The group declined to comment further on its talks with Total, its majority owner. Mr Hennessy said the negotiations with the French oil and chemicals group, which hopes to buy the 34 per cent of Kalon its does not hold, were being handled by non-executive directors. **Virginia Marsh**

TELECOMMUNICATIONS

'Shoot-out' for Telewest and NTL

It could soon be high noon for the UK cable industry. Telewest Communications, the second biggest operator, is heading for a £200m "shoot-out" with NTL, its next largest rival, over ownership of a lucrative London franchise. If this results in Telewest taking full control of the franchise, it would make it the biggest cable operator in the UK.

Telewest is the manager of the London franchise, and, under the agreement, NTL, as the sleeping partner, must make an offer. Telewest can then either agree to buy NTL's interest at the offer price, or insist that NTL pays Telewest for its interest at the same price. The situation has arisen following NTL's acquisition of Comcast last year, which included a half-share in the London cable franchise shared with Telewest. With the lossmaking industry rapidly consolidating to cut costs, neither company has been content to share the 445,000 north London cable customers. Despite talks on which company should buy out the other, no agreement has been reached. If neither company backs down by May, either can invoke the shoot-out clause. **Christopher Price**

ENGINEERING

US expansion drive for Bodycote

Bodycote International, the fast-growing metal treatment group, plans to expand aggressively into the US via a programme of factory building and buying.

John Chesworth, managing director, said Bodycote owned less than 2 per cent of the factories in the US specialising in heat treatment of metals, which accounts for 64 per cent of group sales. "We are such tiddlers in this large market," Mr Chesworth said. "The heat treatment market in Los Angeles is bigger than the heat treatment market in the whole of the UK." He said the group would more than triple its presence in the US over the next three years.

LEGAL NOTICE

No. 00909 of 1999
In The High Court of Justice
Chancery Division
Companies Court
In The Matter of
THE FLEMING AMERICAN INVESTMENT TRUST PUBLIC LIMITED COMPANY
and In The Matter of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 24 February 1999 confirming the reduction of the capital of the above-named company from £23,644,988 to £22,726,738 and the Minute approved by the Court showing with respect to the capital of the said company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 25 February 1999.

Dated the 11th day of March 1999
LINKLATERS & PAINES (DTL),
One Silk Street, London EC2Y 8HQ,
Solicitors for the above-named Company

EURO PRICES

EQUITIES

Europe ignores Dow rise and EU surprise

EUROPEAN OVERVIEW

By Florian Gimbel

European equity markets remained quiet as investors chose to ignore the surprise resignation of the European Commission. Even the euro, which had fallen as low as $1.0816 on the news, shrugged off the latest political upheaval, recovering its poise in the afternoon.

Wall Street's brief excursion beyond the crucial 10,000-point level also failed to inspire European markets, leaving the FTSE Eurotop 300 index marginally higher.

"It was a lacklustre day, with both the bond and the currency markets remaining stable," said Ian Harnett at BT Alex Brown.

Mr Harnett thought yesterday's activity was largely "stock specific", with company news, rather than macro-economic trends driving the market.

Renault shares fell 5.45 per cent yesterday, with the markets disapproving of its possible alliance with Japan's ailing Nissan. Telecoms were also weaker, with France Telecom closing down 1.77 per cent ahead of its results today.

Banks put in a strong performance, largely in response to speculation that Deutsche Bank would back BNP in its takeover battle with Société Générale and Paribas.

SocGen and Paribas two gained 4.27 per cent and 0.8 per cent respectively, while BNP shares closed 2.5 per cent higher.

Germany's Dresdner Bank also extended recent gains, climbing 3.4 per cent on hopes it could benefit from the French merger activity.

"Today, we have seen a slight rotation away from some of the defensive stocks, such as telecoms and utilities, to cyclicals, such as banks and automobiles," said Ian Scott at Lehman Brothers.

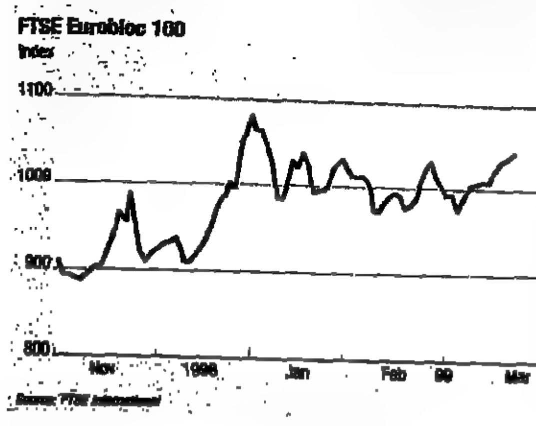
He thought the resignation of Oskar Lafontaine, the German finance minister, was still "resonating" through European markets.

"His removal should put an end to the lacklustre performance of European shares," said Mr Scott.

He highlighted Europe's supportive fundamentals, including a weakening currency, attractive valuations and stronger earnings.

"Out of 260 companies that reported full-year 1998 numbers, 42 per cent surprised on the upside, with 33 per cent disappointing on the downside," he said.

FTSE Eurobloc 100



Source: FTSE International

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Mar 16

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1256.25	+0.26	+3.24	2.03	3.41	1296.12
FTSE Eurotop 100	2907.97	+0.40	+11.52	2.01	9.24	1045.85
FTSE Eurobloc 100	1044.09	+0.43	+4.51	1.92	0.74	1060.61
FTSE EuroMid	1231.00	+0.28	+3.44	2.70	3.44	1279.20
FTSE EuroMid Eurobloc	1192.05	+0.25	+2.97	2.30	1.98	1219.28
FTSE EuroMid Ex UK	1244.62	+0.11	+1.38	2.19	1.48	1269.19
FTSE Eurotop 300 Regions						
Eurobloc	1299.30	+0.36	+4.68	1.89	1.18	1328.38
UK	1208.93	+0.24	+2.86	2.54	7.87	1277.84
Europe Ex-Eurobloc	1221.91	+0.15	+1.84	2.19	5.63	1271.57
Europe Ex-UK	1292.45	+0.27	+3.46	1.78	0.81	1307.41
FTSE Eurotop Industry Sectors						
RESOURCES	986.82	+0.01	+0.12	3.02	3.69	1015.13
Mining	962.01	-0.49	-4.69	3.80	21.37	1006.49
Oil & Gas	930.42	+0.03	+0.32	2.96	2.82	956.23
BASIC INDUSTRIES	1110.04	+1.02	+11.22	2.67	2.55	1136.39
Chemicals	846.93	+1.50	+12.49	2.68	2.47	864.51
Construction & Bld Matls	1026.39	-0.89	-9.18	2.15	1.13	1036.58
Forestry & Paper	858.49	+1.99	+10.70	4.04	0.00	1002.31
GENERAL INDUSTRIALS	1150.04	-0.17	-1.93	2.22	3.28	1177.98
Aerospace & Defence	801.68	-0.88	-6.97	2.18	2.89	815.82
Diversified Industrials	996.27	-0.72	-7.27	2.04	0.00	1019.05
Electronic & Elect Equip	1048.64	+0.84	+8.83	1.03	5.16	1051.01
Engineering & Machinery	1029.56	-0.31	-3.17	2.97	4.16	1046.12
CYCLICAL CONS GOODS	1285.73	+0.84	+10.79	2.25	0.60	1324.81
Automobiles	944.80	+0.88	+8.42	2.28	0.53	954.10
Household Goods & Textls	1346.10	+1.67	+22.13	2.11	0.00	1397.69
NON-CYC CONS GOODS	1214.37	-0.14	-1.67	1.50	2.75	1250.59
Beverages	957.08	+1.57	+14.83	2.62	0.00	977.74
Food Producers & Processors	918.12	+0.41	+3.76	1.73	1.41	930.32
Health	998.18	-0.57	-5.77	1.19	0.00	1013.12
Packaging	807.15	-1.14	-9.29	1.12	0.00	806.15
Personal Care & Hse Prods	1086.31	-0.25	-2.69	0.93	0.00	1095.69
Pharmaceuticals	1106.70	-0.51	-5.69	1.20	3.25	1115.94
Tobacco	1320.28	-0.25	-3.38	3.76	7.11	1381.55
CYCLICAL SERVICES	1325.84	+0.08	+1.07	2.10	3.28	1388.15
Distributors	657.64	-1.60	-10.72	4.49	0.00	665.02
General Retailers	1095.32	-0.34	-3.71	2.24	1.27	1119.27
Leisure Entertmt & Hotels	1013.02	-0.84	-8.53	1.97	8.72	1036.76
Media & Photography	1225.32	+0.22	+2.69	1.84	5.20	1244.64
Restls, Pubs & Brewers	885.78	-0.82	-7.32	3.24	3.71	915.74
Support Services	1055.64	+1.48	+15.39	1.12	1.10	1078.03
Transport	951.76	+0.31	+2.93	2.74	1.81	971.12
NON-CYCLICAL SERVS	1356.69	-0.58	-7.94	1.42	0.48	1397.11
Food & Drug Retailers	1016.58	-0.47	-4.81	2.12	0.51	1032.89
Telecommunications Servs	1361.85	-0.61	-8.23	1.29	0.43	1372.28
UTILITIES	1400.49	+0.12	+1.67	3.18	5.17	1460.51
Electricity	1058.97	+0.03	+0.32	3.32	4.44	1097.18
Gas Distribution	1199.38	+0.66	+7.85	1.63	1.00	1321.64
Water	880.78	-0.48	-4.28	5.76	5.94	928.17
FINANCIALS	1360.35	+0.87	+11.70	2.13	5.57	1403.54
Banks	870.35	+1.02	+8.81	2.55	5.82	890.50
Insurance	1012.53	+0.53	+5.31	1.36	1.78	1026.49
Life Assurance	1154.22	+1.18	+13.46	1.72	0.96	1170.17
Investment Companies	997.03	-0.13	-1.27	1.79	0.00	1020.94
Real Estate	746.93	-0.67	-5.03	3.35	1.07	786.16
Speciality & Other Fin	997.07	+0.88	+8.73	2.25	0.00	1013.72
INFORMATION TECH	934.88	+0.14	+1.26	0.99	0.04	938.98
Information Tech Hardware	1025.80	+0.33	+3.33	1.00	0.00	1028.34
Software & Computer Serv	723.99	-0.49	-3.59	0.53	0.15	725.65

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THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

[illegible]

THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

[illegible]

THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

[illegible]

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

[illegible]

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

[illegible]

OTHER INDICES

	Mar 16	Mar 15	Mar 12	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DJ Euro Stx 50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MSCI Europe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE EUROTOP 300

[illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

[illegible]

BONDS

INTEREST RATE SWAPS

[illegible]

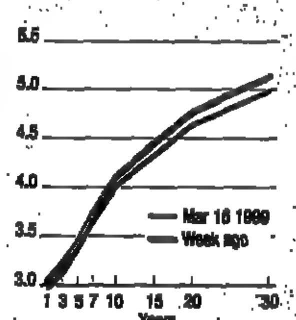
EURO-ZONE BONDS

[illegible]

IN THIS YIELD								
Gebenit	04/07	10.125	B+	114.494	6.37	+0.08	-2.13	+2.80
Colt Telecom	11/07	8.875	n/a	107.003	7.75	-0.01	-0.05	+3.98
Impress Metal	08/07	9.875	B	110.500	7.51	+0.08	-1.98	+3.74
Remy Cointreau	07/05	10.000	B+	98.750	10.05	+0.16	-0.83	+6.54

Standard & Poor's ratings. Source: Interactive Data/FT Information

Euro bond yield curve



Euro against the dollar

Source: Interactive Data/FT Information

INTERNATIONAL CAPITAL MARKETS

Good start to Japan's bank funding move

By Naoko Nakamae in Tokyo

Japan's bid to raise Y7,450bn ($63bn) to fund bank reform has made a good start. The Deposit Insurance Corporation, a government body, successfully raised Y2,000bn in one-year loans in its largest-ever auction on Monday.

The auction produced an average yield of 0.35 per cent, which means the government has managed to borrow money at slightly lower than the market rate.

The auction result will come as a relief for the authorities, as they have been forced to delay their plans to raise part of the Y7,450bn via government-guaranteed bond issuance.

Investors have warned such a move would damage the market, which is already concerned about the possibility of large amounts of issuance from local governments between March and May.

It is understood that a large proportion of bidders were foreign financial institutions. The 15 big banks that will be receiving public funds were barred from the auction. Domestic bidders included life insurance companies and regional banks.

"The auction went smoothly because investors are looking for low-risk investments and these loans are government-guaranteed," said Yoichi Tazawa, at Nomura Securities.

The DIC will hold another auction to raise a further Y2,000bn, this time in seven-month loans, on Thursday.

However, the Financial Reconstruction Committee, the government body charged with organising bank reform, yesterday indicated that after Thursday's auction, it would not hold any more before March 30, when the DIC plans to deliver the funds to the banks.

The remainder of the funds will be procured from the Bank of Japan in the form of bridging loans, which generally have a six-month maturity.

However, the BoJ is insisting that the DIC should repay these loans as soon possible by issuing bonds to the markets. "These are bridging loans – we want them to be repaid very soon," one official said.

Given this pressure, some government officials indicated that the DIC may start to issue bonds before the BoJ loans mature. But the government had no official details for future bond issuance by the DIC, and the fragile nature of the bond market is causing considerable internal concern. The timing, size and maturity of future issuance is, therefore, currently under careful consideration.

In particular, the government is likely to put off any issuance until after June, because local governments are expected to make larger than planned bond issues – which will also carry government guarantees – between March and May to fund their own growing deficits.

During this period, local governments are expected to issue almost Y6,000bn in bonds to regional banks and other institutions through private placements. They are also expected to issue additional bonds to compensate for the shortfall in tax revenues.

US Treasuries move higher

BENCHMARK BONDS

By Vincent Boland in London and John Labate in New York

US Treasuries moved higher yesterday as stocks turned mixed at midday after the Dow Jones Industrial Average hit 10,000 for the first time. The 30-year bond was up ⅜ to 96½ by early afternoon, yielding 5.476 per cent, and 10-year bonds were ⅜ higher at 97⅞, yielding 5.105 per cent.

Helping sentiment in early trading was the release of stronger than expected industrial production figures for February, showing a rise of 0.2 per cent. A separate report showed housing starts for February fell 0.6 per cent.

Analysts said the market should continue higher as soon as fears that the Federal Reserve might soon raise interest rates abate.

"We expect the market to consolidate from here, including maybe moving slightly lower, before it pushes higher again," said Richard Gilhooly at Paribas Capital Markets.

European markets managed to post small gains as the euro fell then recovered in the wake of the resignation of the entire European Commission.

Observers agreed that the resignation was unlikely to have any bearing on the European Central Bank's deliberations on interest rates.

Short euro futures are now pricing in an early rate cut, although it is not expected to materialise at the ECB's meeting this week. Analysts said the money markets suggested April 8 as the date when the central bank might move, although the fate of the euro until then would be a crucial factor.

Andre de Silva at ING Barings said European markets were reasonably well supported by domestic and outside factors, but there was evidence of switching out of German paper into bonds that investors considered offered better value.

"Relative value is becoming more important," Mr de Silva said, as flows between the euro-denominated markets picked up pace. Some selling of German paper was being matched by purchases elsewhere in core Europe and on the periphery, with Belgian bonds favoured. The yield on Belgian 10-year bonds fell to 4.21 per cent from 4.24 per cent overnight.

German bonds were quiet and the yield on 10-year paper fell below 4 per cent to stand at 3.987 per cent in late trading. The June bund contract rose 0.29 to 114.09.

Up to €5bn of five-year German paper is expected to be auctioned today, followed by some €3.5bn of French BTANs tomorrow. Pricing of the two will give an indication of the extent of Franco/German competition to attract investors.

Offerings in euros dominate

NEW ISSUES

By Arkady Ostrovsky and Kevin Done

Offerings in euros dominated issuance yesterday, with almost €2bn of bonds outstripping dollar issues.

David Munves, at Lehman Brothers, said demand for euro-denominated paper was very strong because of the combination of widening spreads in the euro swaps market and narrowing credit spreads in euros.

Canada launched its debut issue in euros to create a 10-year benchmark. The €390m bond will bring the total issue to €1bn after Canada redenominates its outstanding FFr4bn issue into €610m, next month.

The issue was priced to yield 23 basis points over the 10-year OAT. Most of the bonds were sold to investors in France, Italy, the Netherlands and Switzerland, according to lead manager Société Générale.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
FCCMT II 99-A, Cls A(a)‡	488	(a1)	100.00	Mar 2002	0.225	-	Lehman Brothers
Deutsche Bank Finance‡	500	(b)	99.808R	Apr 2004	0.15R	-	Deutsche Bank
RFS 1999-H11(c)+‡	450	-	-	-	-	-	Bear Stearns
EUROS(e)							
Deutsche Bank AG London‡	600	(d)#	99.85R	Apr 2014	0.40R	-	Caboto/Deutsche Bank
Telefonica	500	4.50	99.526R	Apr 2009	0.325R	+57(3¾%Jan08)	Arg/BBV/Dresdner KB
Lehman Brothers Hldgs plc	500	4.75(s)	99.88R	Jul 2004	0.45R	+135(Jul04)	Lehman Brothers Intl
Canada(f)	390.2	4.50(s)	101.291	Apr 2009	0.325	+23(4%Apr09)	SG
STERLING							
Tiers SI BV, Class A(g)	82	5.90#	99.656R	Jul 2027	0.625R	+140(6%-28)	Merrill Lynch Intl
Tiers SI BV, Class M(g)	30	6.60#	99.693R	Jul 2027	0.875R	+240(6%-28)	Merrill Lynch Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fleet Credit Card Master Trust. Legal maturity: 15/9/04. a1) 1-mth Libor +11bp. a2) Class B: $45m, 1-Ml. +33bp, Mar 02, par. b) 3-mth Libor +6¼bp. c) Residential Funding Securities, Home Loan Trust. 6 tranches. d) 0.82 x 10-yr swap rate; min 3½%. e) Spread relates to German govt bonds unless stated. f) Fungible with FFr4bn taking total to €1bn. Spread re French govt bonds. g) Securities issuer. Secured on portfolio of Nursing Home Leases originated by Principal Healthcare Funding. g1) Class B: £11m, Jul 2027, 7.8%, 99.726, +340bp. s) Short 1st coupon.

Telefónica, Spain's telecoms company, tapped the market with a 10-year €500m issue, priced at 57 basis points over German bunds. Dresdner Kleinwort Benson, joint lead with Argentaria and BBV of Spain, said 60 per cent of the issue, which was designed to broaden Telefónica's investor base, was sold in Germany.

The Republic of Slovakia is planning to raise between €300m and €500m in an international bond issue in the next few weeks, according to Ivan Miklos, deputy prime minister with responsibility for the economy.

The bond is expected to have a maturity of either five or seven years. Frontrunners to win the mandate as joint lead managers are J. P. Morgan and Credit Suisse First Boston, which have been involved in all three bonds launched by sovereign borrowers from eastern Europe in recent weeks.

J. P. Morgan was joint lead for the €500m bond issued by Hungary, while CSFB was joint lead for Croatia and Slovenia.

NEWS DIGEST

RUSSIAN DEBT

CSFB says that Nikitsky fund might not proceed

Credit Suisse First Boston said yesterday its Nikitsky Recovery Fund, offering a potential alternative to Russia's official debt restructuring proposals, might not proceed if the response by other investors was too small.

Allen Wheat, CSFB chairman, said in London that if the take-up was too small, the Russian authorities might consider Nikitsky a "distraction" and stick only to their own restructuring proposal.

The Russian authorities, which were advised in advance of the general principle of the CSFB plan, had not given any formal response, he said.

Nikitsky, which is officially launched today, envisages the repayment of the full nominal rouble value of GKO/OFZ securities held by foreigners, but the funds would be recycled into infrastructure and other projects. The cash-flow from these projects would provide the eventual effective repayment.

CSFB, which along with its clients accounts for 40 per cent of foreign GKO holdings, has committed all but a fraction of its own interest to Nikitsky, as well as a $15m unsecured loan for expenses.

Performance-related fees on Nikitsky could reach up to 25 per cent of proceeds. Defending this, Lukas Mühlemann, Credit Suisse Group chief executive, said it involved "potentially a lot of work and not a lot of return". **Clay Harris**

SECURITIES CLEARING

Austraclear in European link

Austraclear, Australia's central securities depository, has established a link with Euroclear and Cedelbank, the two main European clearing houses. The link will enable Austraclear's members to use Australian international bonds held offshore and worth A$23bn (US$14.5bn) as collateral for interbank payments in Australia.

John Hall, managing director at Austraclear, said: "Direct access by Australian domestic market participants to Australian dollar global securities overseas will greatly improve domestic market liquidity."

The Brussels-based Euroclear and the Luxembourg-based Cedelbank, which specialise in clearing international bonds, already have local custodians in Australia for international counterparties wishing to hold Australian domestic securities.

Pierre Francotte, managing director at Euroclear, said: "The link with Austraclear is further evidence of the globalisation of markets. This closer collaboration with Austraclear will be beneficial to the market, especially because of the strategic importance of the Asia-Pacific region."

Austraclear operates in debt securities and and money markets instruments and holds some A$200bn worth of securities. **Arkady Ostrovsky**

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Mar 16	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.6532	4.87	-0.03	-0.25	-0.08	-0.14
	08/08	8.750	124.5411	5.39	-0.03	-0.30	-0.03	-0.40
Austria	03/01	5.250	104.0900	3.09	-0.03	-0.10	-0.02	-0.92
	01/08	5.000	106.5300	4.10	-0.04	-0.14	+0.04	-0.84
Belgium	03/01	5.000	103.6800	3.09	+0.02	-0.14	+0.14	-0.83
	03/09	3.750	96.1800	4.22	-0.01	-0.10	+0.13	-0.72
Canada	12/00	5.000	99.9200	5.05	+0.03	-0.13	+0.08	+0.12
	06/08	6.000	106.1500	5.16	-	-0.11	-	-0.20
Denmark	11/00	9.000	108.8400	3.38	-0.04	-0.14	-0.16	-0.78
	11/08	6.000	113.8100	4.35	-0.07	-0.16	+0.12	-0.77
Finland	06/00	4.000	101.2080	2.99	-	-0.07	-0.01	-0.88
	04/09	5.000	106.2980	4.22	-0.02	-0.14	+0.12	-0.69
France	07/00	4.000	101.2500	3.00	+0.01	-0.06	-0.05	-0.81
	04/05	7.250	121.3900	3.67	-0.03	-0.15	+0.05	-0.93
	04/09	4.000	98.3200	4.09	-0.03	-0.15	+0.11	-0.88
	04/29	5.500	107.5700	4.99	-0.05	-0.13	+0.11	-0.44
Germany	05/01	5.000	104.0900	3.02	-0.01	-0.08	-0.03	-0.78
	01/05	8.000	113.1300	3.77	-0.04	-0.16	+0.08	-0.89
	01/09	3.750	98.1500	3.98	-0.05	-0.13	+0.04	-0.88
	07/28	4.750	96.6500	4.97	-0.04	-0.13	+0.09	-0.48
Greece	03/00	9.800	100.5878	9.15	-0.01	-0.21	-0.16	-4.10
	01/09	6.300	100.0000	6.69	-0.03	-0.10	-0.18	-2.90
Ireland	10/01	6.500	108.1500	3.16	-0.01	-0.08	-	-1.25
	08/08	6.000	116.1000	4.16	-0.03	-0.12	+0.07	-0.86
Italy	07/01	4.500	102.9800	3.14	-0.01	-0.07	-	-1.38
	07/03	4.500	104.0000	3.49	-0.02	-0.08	-	-1.20
	05/09	4.500	102.4400	4.20	-0.04	-0.10	+0.08	-0.82
	11/27	6.500	118.5300	5.18	-0.03	-0.09	+0.13	-0.47
Japan	12/00	6.800	111.5160	0.28	+0.03	+0.02	-0.20	-0.28
	12/03	4.100	114.3750	0.99	-	+0.07	-0.40	-0.16
	06/08	1.800	100.0470	1.79	-	+0.06	-0.39	+0.23
	09/18	2.300	83.9900	2.70	-	+0.06	-0.28	+0.30
Netherlands	01/01	8.000	110.4000	3.02	-	-0.10	+0.03	-0.89
	07/08	3.750	97.0400	4.11	-0.03	-0.11	+0.11	-0.73
New Zealand	02/01	8.000	105.5740	4.86	-0.06	-0.25	-0.16	-2.64
	07/09	7.000	109.2158	5.80	-0.05	-0.18	+0.12	-1.03
Norway	05/01	7.000	104.2200	4.91	+0.01	-0.07	+0.15	+0.60
	05/09	5.500	104.9500	4.87	-0.02	-0.18	+0.13	-0.34
Portugal	03/00	6.375	102.3600	2.95	-0.02	-0.06	-0.19	-1.06
	06/08	5.375	108.8800	4.19	-0.04	-0.11	+0.11	-0.84
Spain	01/01	5.000	103.6570	2.95	-0.02	-0.07	-0.10	-1.12
	07/09	5.150	105.6900	4.45	-0.03	-0.14	+0.37	-0.58
Sweden	05/00	10.250	107.4585	3.32	+0.01	-0.04	+0.05	-1.33
	05/08	6.500	115.5360	4.39	-0.03	-0.10	+0.16	-0.90
Switzerland	08/00	4.500	103.6800	1.42	-	-0.06	+0.01	-0.08
	01/08	4.250	116.3000	2.19	-0.01	-	-0.19	-0.49
UK	11/01	7.000	105.2800	4.84	-0.05	-0.16	+0.12	-1.88
	12/03	6.500	107.8100	4.64	-0.04	-0.15	+0.12	-1.41
	12/09	5.750	110.7400	4.46	-0.05	-0.17	-0.04	-1.43
	12/28	6.000	124.5500	4.48	-0.06	-0.15	+0.05	-1.35
US	01/01	4.500	99.1398	4.99	-	-0.05	+0.02	-0.51
	02/04	4.750	98.8010	5.03	-0.03	-0.09	-0.04	-0.59
	11/08	4.750	97.2492	5.11	-0.03	-0.07	-0.07	-0.50
	02/29	5.250	96.4742	5.49	-0.02	-0.05	-0.12	-0.39

London closing * New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard/annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Mar 16	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.40	+1.39	+0.28	Netherlands	4.14	+0.13	-0.98
Austria	4.27	+0.26	-0.85	New Zealand	5.78	+1.78	+0.67
Belgium	4.22	+0.21	-0.90	Norway	4.87	+0.86	-0.25
Canada	5.15	+1.14	+0.03	Portugal	4.27	+0.26	-0.85
Denmark	4.34	+0.33	-0.78	Spain	4.31	+0.30	-0.81
Finland	4.22	+0.21	-0.90	Sweden	4.42	+0.41	-0.70
France	4.07	+0.06	-1.05	Switzerland	2.37	-1.64	-2.75
Germany	4.01	-	-1.11	UK	4.57	+0.55	-0.55
Greece	5.94	+1.93	+0.82	US	5.12	+1.11	-
Ireland	4.21	+0.20	-0.91				
Italy	4.23	+0.22	-0.89				
Japan	1.84	-2.17	-3.28				

London closing. Source: Interactive Data/FT Information. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Mar 16	Red date	Coupon	S&P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	96.0131	8.58	+0.06	-0.53	+3.56
Poland	07/04	7.125	BBB-	103.2547	6.37	-0.04	+0.57	+1.34
Russia	06/07	10.000	n/a	26.8400	42.14	-1.08	+2.81	+37.06
LATIN AMERICA								
Argentina	09/27	9.750	BB	84.7500	11.58	+0.03	-0.03	+6.13
Brazil	05/27	10.125	B+	65.5000	14.88	-0.27	-0.61	+9.23
Mexico	05/26	11.500	BB	111.5000	10.24	-0.02	-0.65	+4.81
ASIA								
China	07/06	7.750	BBB+	100.7500	7.60	-0.05	+0.01	+2.53
Philippines	10/16	8.750	BB+	93.0000	9.58	-0.28	-0.41	+4.33
Thailand	04/07	7.750	BBB-	102.0000	7.41	-0.09	-0.45	+2.34
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.0000	7.38	+0.08	+1.20	+2.44
South Africa	10/06	8.375	BB+	98.6999	8.61	+0.06	-0.94	+3.54
Turkey	09/07	10.000	B	91.5000	11.64	-0.02	-0.49	+6.59
BRADY BONDS								
Argentina	03/23	5.750	BB	71.0000	8.95	-0.05	-0.11	+3.58
Brazil	04/14	5.000	B+	61.2500	13.67	-0.08	-0.72	+8.46
Mexico	12/19	6.250	BB	78.8750	8.42	-0.03	-0.20	+3.40
Venezuela	03/20	6.750	B+	68.5000	10.82	-0.02	-0.05	+5.50

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.90	95.08	+0.21	95.14	94.78	22,228	84,933

LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
97	-	-	0.26	-	-	-
98	-	-	0.13	3.45	3.49	-
99	-	-	0.06	4.45	4.45	-
100	-	-	0.03	5.45	5.45	-

Est. vol. total. Calls n/a. Puts n/a. Previous day's open int. Calls n/a. Puts n/a

Germany

NOTIONAL EURO BOND FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.84	114.38	+0.59	114.39	113.68	637,701	587,166
Sep	114.60	114.82	+0.63	114.50	114.50	926	663

NOTIONAL EURO BUND (BOBL) FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.71	108.88	+0.18	108.90	108.64	198,230	224,236

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
A	-	-	-	-	-	-	

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
A	-	-	-	-	-	-	

Also traded on APT. All Open interest figs. are for previous day.

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.00	113.24	+0.26	113.55	112.86	8584	59787

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	-	116.07	-	-	-	-	15,300
Jun	97.53	97.81	+0.31	97.90	97.41	20,774	17,320

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	108.37	+0.17	-	-	0	63
Jun	-	108.09	+0.16	-	-	0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	116.50	116.65	+0.56	116.70	116.50	508	6598
Jun	116.70	117.22	+0.58	117.40	116.66	37605	75659

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11650	1.60	2.48	1.08	1.76
11700	1.50	2.22	1.28	2.00
11750	1.25	1.98	1.53	2.26
11800	1.04	1.75	1.82	2.53
11850	0.85	1.54	2.13	2.82
11900	0.69	1.35	2.47	3.13

Est. vol. total. Calls 884 Puts 300. Previous day's open int. Calls 11470 Puts 10008

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	122-09	122-09	-	122-13	122-06	13,752	60,289
Jun	121-24	121-25	-	121-29	121-20	201,116	569,140
Sep	121-13	121-11	-0-02	121-13	121-09	1,991	15,425

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	130.46	130.68	-	130.70	130.40	201	0
Sep	-	129.88	-	-	-	0	0

Euro

€ BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106.70	106.70	+0.36	106.70	106.70	20	0

US CORPORATE BONDS

Mar 15	Red date	Coupon	S&P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd vs Govts
UTILITIES								
Pac Hell	07/02	7.25	A+	104.5923	5.80	-0.05	+0.18	+0.83
NY Tel	06/25	7.00	A+	96.1759	7.05	-0.03	+0.12	+1.53
CWE	05/08	8.00	BBB	112.4411	5.89	-0.08	+0.24	+1.04
FINANCIALS								
GECC	08/07	8.75	AAA	117.8036	6.00	-0.05	+0.26	+0.85
Banc One	06/02	7.25	A	104.5404	5.82	-0.05	+0.25	+0.86
CNA Fin	01/18	6.95	A-	93.5869	7.59	-0.04	+0.59	+2.06
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0181	5.87	+0.01	-0.16	+1.16
Wal Mart	08/02	6.75	AA	103.7083	5.42	-0.05	-0.41	+0.45
Dayton Hud	06/21	8.70	A-	132.5670	5.82	-0.04	-0.25	+1.29
AGENCIES								
FHLMC	04/07	7.14	N/A	108.5494	5.79	-0.05	-0.31	+0.64
SLMA	03/00	7.50	N/A	102.1453	5.22	+0.01	+0.11	+0.21
FNMA	02/18	5.95	N/A	122.0088	5.07	-0.04	+0.22	+0.40
FFCB	09/05	6.95	N/A	118.9535	5.71	-0.05	+0.23	+0.55
HIGH YIELD								
Stone Cont	03/01	9.88	B	100.8750	0.00	-	-	-
AK Stl	12/01	8.13	BB-	103.2500	0.00	-	-	-
Pacalia	06/04	10.75	B-	84.5000	0.00	-	-	-

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information

US INTEREST RATES

Latest			Treasury Bills and Bond Yields			
Prime rate	7¾	One month	-	Two year	-	
Broker loan rate	6¾	Two month	-	Three year	-	
Fed.funds	-	Three month	-	Five year	-	
Fed.funds at intervention	-	Six month	4.66	10-year	5.12	
		One year	4.72	30-year	5.50	

INTERNATIONAL BONDS

Mar 16	Red date	Coupon	S&P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs Govts
US $								
ABN Amro	08/07	7.250	AA-	109.0008	5.92	-0.06	-0.11	+0.74
Quebec	02/03	7.125	A+	104.8193	5.38	-0.08	+0.02	+1.27
Ford	01/07	7.000	A	104.7026	6.22	-0.09	-0.17	+0.83
Citicorp FRN	09/04	5.068	AA-	99.2032	6.25	-0.01	-0.14	+0.22
UK £								
Bayer L-Bk	06/04	6.500	AAA	117.6312	5.81	-0.01	+0.01	+0.62
Toronto (M)	05/04	6.500	AAA	107.8324	5.24	-0.01	+0.02	+0.83
Bell Canada	07/06	10.625	A+	131.0007	5.49	-0.01	+0.01	+1.22
Deutsche B FRN	03/02	5.875	AA	101.8085	5.46	-0.02	+0.06	+0.25
UK £								
EIB	12/07	7.625	AAA	116.8174	5.12	-0.07	+0.13	+0.51
Dresdner Bk	12/07	7.750	A+	111.7643	5.97	-0.07	+0.08	+1.28
British Gas	03/08	7.250	A	102.0183	5.95	-0.06	+0.05	+1.32
Abbey Nat FRN	02/02	5.587	AA	100.0250	5.50	-0.05	+0.10	+0.35
CS								
EIB	01/08	5.750	AAA	104.4612	5.15	-0.01	-0.21	+0.22
Brit. Columbia	02/02	5.250	AA	103.7546	4.81	-0.01	-0.08	+0.27
Hydro-Quebec	05/01	6.750	A+	108.7219	5.86	-0.01	-0.01	+1.05
Ban Slect.	06/01	7.711	A	100.7718	5.71	-0.01	-0.01	+0.58
YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.0424	0.53	+0.03	-0.22	+0.21
Spain (Kingdom)	03/02	5.750	AA	116.2220	0.60	+0.04	-0.24	+0.24
Ont. Hydro	04/02	4.750	AA	112.3278	0.84	+0.03	-0.09	+0.52
Italy (Rep of)	07/08	5.516	AA	100.0323	0.29	+0.10	+0.08	-0.03
DM								
IBRD (World Bk)	03/08	8.000	AAA	102.6080	5.61	-0.03	-0.21	+0.22
Nw Sth Wales TT	09/03	6.500	AAA	104.0090	5.82	-0.04	-0.13	+0.23
S. Aust Gov Fin	03/03	7.750	AA	107.7500	5.65	-0.02	-0.15	+0.59
GMAC FRN	08/01	6.000	A+	105.6903	5.53	-0.04	-0.16	+0.50

London closing. Standard & Poor's ratings. Yields: Local market standard/annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Government Securities

[illegible]

UK Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Euro bounces as commissioners quit

MARKETS REPORT

By Alan Beattie

The euro swung wildly yesterday as Asian and European traders disagreed on the likely effect of the European commissioners' resignations.

The departure of all 20 of the EC's top officials was met with horror during the Asian trading session. The euro dropped a cent and a half to \$1.081. It then stayed around this level for the remainder of the Asian trading session.

But traders in London took the opportunity to buy euros and soon pushed it back towards the levels it was trading at before the resignations were announced. By the end of London trading yesterday the euro was back at \$1.091, little changed from its close on Monday.

Market analysts said that some of the initial reaction in Europe was more panicked than subsequent trading would suggest. "Some of the comments from analysts early in European trading were quite apocalyptic and seemed to be a continuation of the Asian response," said Robin Marshall, chief economist at Chase Manhattan in London.

"But as the day went on there was a more realistic assessment," he added.

Mr Marshall said that the news of the commissioners' resignations was neither unexpected nor particularly pivotal. "It heightens the sense of lack of co-ordination in European policy-making in general," he said. "But the deeper issues over the lack of co-ordination between the European Central Bank and the national euro-zone governments, and the disputes over the European Union budget, still remain unresolved."

He said that around half of the weakness of the euro since its launch at the beginning of the year could be ascribed to the structural problems in euro-zone policy-making. The remainder was caused by the unexpected divergence in European and US economic growth and consequent rise in yield differentials, he added.

■ A survey of traders and analysts shows a large majority expect the European Central Bank to keep interest rates on hold tomorrow, but most think that the euro will rise if they cut.

The survey, conducted on Monday and Tuesday this week by the economic consultancy 4Cast in London, suggests that the euro will trade off the relative strength of the real economies rather than simply short-term interest rates. Both sterling and the dollar have rallied over the past few months after interest rate cuts in the UK and US.

The survey, of 102 bank dealing desks across Europe, revealed a near unanimity of belief that the ECB would leave rates unchanged tomorrow. But 47 respondents believed that a cut of 25 basis points would leave the euro higher than its level before the meeting, compared with only 31 who thought it would fall.

The odds lengthened on a cut yesterday when Jean-Claude Trichet, governor of the Banque de France, said that euro-zone interest rates were at their lowest level since World War Two and that there was no need to change them.

■ The dollar struggled higher against the yen yesterday as the the Dow Jones index broke the 10,000 level for the first time.

But the US currency sank after share prices dropped back after the historic breakthrough. And the continued failure of the Japanese authorities to back up their stated desire for a weaker yen with monetary activism also weighed on the dollar.

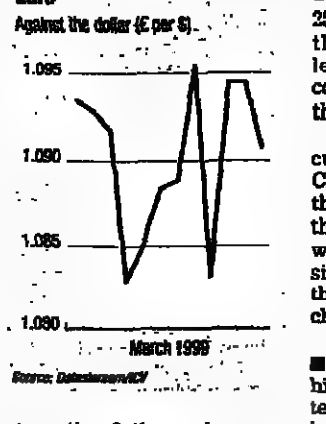
At the close of London trading yesterday the dollar was at Y117.9 against the yen, lower than its recent range around Y120.

Robin Marshall said that the quantitative easing expected from the Japanese authorities seemed to be slow in arriving. "As the US found out some time ago, it is difficult to target volumes rather than prices in the money markets," he said.

But he added that there might be a failure of will on the part of the Bank of Japan. "Hayami still talks of the fear of inflation," he said.

"But rising inflation and inflationary expectations are exactly what Japan needs," Mr Marshall added.

Euro
Against the dollar (£ per $)



Source: Datastream/ICV

■ POUND IN NEW YORK

Mar 16	—Latest—	— Prev. close —
£ spot	1.6245	1.6230
1 mth	1.6238	1.6223
3 mth	1.6231	1.6215
1 yr	1.6243	1.6232

■ OTHER CURRENCIES

Mar 16	£	$
Czech Rp	58.5440 - 58.6210	34.8220 - 34.8460
Hungary	376.917 - 377.474	232.120 - 232.320
Iran	4874.40 - 4871.40	3000.00 - 3000.00
Kuwait	0.4943 - 0.4951	0.3044 - 0.3047
Peru	5.4495 - 5.4577	3.3560 - 3.3590
Poland	6.3880 - 6.4017	3.9340 - 3.9400
Russia	38.0943 - 38.1666	23.4600 - 23.4900
U.A.E.	5.9639 - 5.9681	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Mar 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.4804	[illegible]	784 - 004	20.5873	20.4231	20.447	2.5	20.3721	2.3	20.0462	2.2	102.5
Belgium*	(BFr)	60.0671	+0.2907	[illegible]	60.3830	59.8720	59.9428	2.5	59.7233	2.3	58.7678	2.2	102.1
Denmark	(DKr)	11.0680	+0.0610	605 - 754	11.1270	11.0333	11.0485	2.1	[illegible]	2.0	[illegible]	1.8	105.4
Finland*	(FM)	8.8534	+0.0429	486 - 581	8.9000	[illegible]	8.8351	2.5	8.8028	2.3	8.6819	2.2	81.0
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria*	(Sch)	12.6143	+0.0409	114 - 172	12.7196	12.5918	12.5937	2.0	[illegible]	1.9	12.3422	2.2	102.2
Belgium*	(BFr)	36.9803	+0.1200	[illegible]	37.2900	36.9140	36.9198	2.0	36.8023	1.9	36.1825	2.2	102.2
Denmark	(DKr)	6.8140	+0.0267	115 - 165	6.8721	6.8036	6.805	1.6	6.7864	1.6	6.6895	1.8	104.6
Finland*	(FM)	5.4506	+0.0177	493 - 518	5.4951	5.4408	5.4417	2.0	5.4243	1.9	5.3331	2.2	80.3
[illegible]													

WORLD INTEREST RATES

MONEY RATES

[illegible]

INTERNATIONAL CURRENCY RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
94500	0.080	0.385	0.480	0.005	0.045	0.090
94625	0.005			0.055		
94750	0	0.185	0.305	0.175	0.115	0.165
94875	0			0.300		
95000	0	0.080	0.170	0.425	0.260	0.280
95125	0			0.550		

Est. vol. total, Calls 5436 Puts 2114. Previous day's open int., Calls 621488 Puts 661610

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	●Robert Fleming & Co	5.50	Sun Bank	5.50
●Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	●SG Hambros Bank &Trust	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Bank of Scotland	5.50	Investec Bank (UK) Ltd	5.50		
Barclays Bank	5.50	Julian Hodge Bank	5.50		
Brit Bk of Mid East	5.50	●Leopold Joseph & Sons	5.50		
●Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.50		
Citibank NA	5.50	Midland Bank	5.50		
Clydesdale Bank	5.50	NatWestminster	5.50		
The Co-operative Bank	5.50	●Rea Brothers	5.50		
Coutts & Co	5.50	Royal Bk of Scotland	5.50		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.50		

● Members of London Investment Banking Association

Australian commodities set to fall

By Gwen Robinson and Stephen Wyatt in Canberra

Annual forecasts for Australia's commodity export income to be announced today in Canberra will reinforce fears of a prolonged downturn in demand and in prices for the country's main agricultural and resources exports.

Australian commodity export prices are expected to fall by 4.7 per cent in the year to June after rising 6.5 per cent in 1997/98 and are likely to fall a further 5.7 per cent in 1999/2000, according to the Australian Bureau of Agricultural and Resource Economics (Abare).

The total value of Australian commodity exports is also expected to decline, by 2.6 per cent to A$65.2bn (US$41.2bn) this year and by a further 4.2 per cent to A$62.4bn next year.

Economists warn that the projections may unsettle Australian financial markets and put renewed pressure on the Australian dollar.

The figures contain the first official forecasts for next year's commodities outlook and are central to Abare's annual commodities outlook conference. The two-day conference in Canberra is the country's largest annual gathering of commodities industry representatives and economists.

Australian commodities producers have shown unexpected resilience to the Asian economic downturn in 1998, increasing volumes and rapidly diversifying exports away from Asian markets.

However, Brian Fisher, Abare's executive director, expects slowing global economic growth, increasing supplies of commodities and the prospect of further sharp price cuts from Japan in the coming year.

Economists said markets had factored in steep price reductions agreed at recent negotiations in Tokyo for Australia's main commodity exports to Japan, including cuts of 10-11 per cent for iron ore exports and 13-18 per cent for coal exports for the year to next March.

A growing trend among resources companies to slash exploration budgets, meanwhile, suggested declining production in the medium term.

Economists said Abare's forecasts could equate to a reduction of 0.5 per cent in Australian gross domestic product growth rates next year, pushing growth down to about 3 per cent, after the economy defied all predictions to grow by nearly 5 per cent in the past year.

Any significant fall in the value of Australian commodity exports would also fuel Australia's current account deficit, now approaching 6 per cent of GDP, they warned.

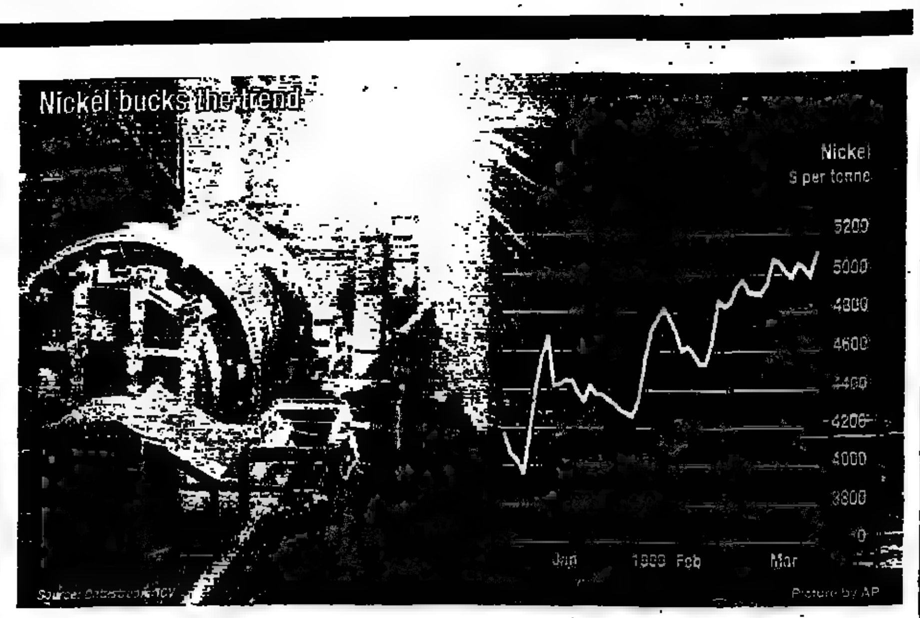
Abare said agricultural commodity prices were forecast to fall by nearly 7 per cent this year and by 4 per cent next year.

"Forecast declines in the value of grains, oil-seeds, sugar and wool are expected to more than offset the forecast increase in the value of wine, cotton, dairy products and beef and veal," said Mr Fisher.

The outlook for mineral resources is also bleak. Their prices are forecast to decline by 4 per cent this year and by nearly 7 per cent next year. In terms of export income, mineral resources are expected to decline by 1.8 per cent this year to A$40.4bn and then fall sharply, on the back of tumbling energy prices, especially coal, by 7.7 per cent next year.

Rally in nickel faces acid test

Cheaper processing could revolutionise the industry, writes **Stephen Wyatt**



Nickel has been the star performer so far this year in the base metals sector on the back of a number of production shutdowns. It has risen more than 25 per cent, while its sister base metals, aluminium and copper, are down 7 per cent and 4 per cent respectively.

However, this rally may be cut short if nickel's Sword of Damocles – Australian laterite nickel production – proves to be successful.

The successful processing of the vast reserves of laterite nickel ore via high pressure acid leaching would revolutionise the nickel industry. Traditional nickel production would eventually be replaced by the potentially much cheaper processing of laterites.

Some analysts, like Alan Heap at Salomon Smith Barney in Sydney, suggest that if the new Australian laterite producers prove the process works, Australia alone could eventually produce up to 570,000 tonnes, or 80 per cent of total world nickel production.

And now nickel's short circuit may be getting closer to reality. Already, one of three potential Australian laterite nickel producers, Centaur Mining and Exploration Limited at its Cawse project in Western Australia, has produced and shipped metal. And a second, Preston Resources NL, expects to produce and ship at the end of this month.

Centaur's first commercial shipment of nickel cathodes, totalling 15 tonnes, was dispatched on February 25 with shipments to date of 55 tonnes of nickel metal and 100 tonnes of cobalt sulphide.

"The quality of the final products is superior to that anticipated for this stage of the commissioning programme, with cathodes containing 99.8 per cent nickel and the cobalt sulphide containing approximately 40 per cent cobalt," says Joseph Gutnick, chairman and managing director of Centaur.

Preston Resources expects to be the second Australian company to produce nickel metal from laterite deposits by high pressure acid leaching.

The company said it expects to reach commercial production by the end of the month at its Bulong project, near Kalgoorlie.

Australia's third and potentially largest laterite producer, Anaconda Nickel Ltd at its Murrin-Murrin site, was due to come on stream last month. Now it looks like production will commence in April or May.

Anaconda's managing director, Andrew Forrest, is still projecting Murrin-Murrin to produce 22,500 tonnes this year, although many analysts question the figure.

Analysts forecast late last year that these Australian laterite producers could turn out about 65,000 tonnes of nickel in 1999 but delays and mechanical problems mean that nothing like this will be produced.

Nevertheless, if the producers can prove the process works, it could just be the beginning of laterite production and the beginning of the end of the traditional method of processing nickel.

"The absence of further hitches will lead to 32,000 tonnes of nickel produced this year from laterite deposits, said John Veldhuizen, resources analyst with BNP in Sydney. If costs prove to be as low as projected, then in 2000 there could be 65,000 tonnes produced this way.

Laterite producers are forecasting cash costs of production of between 50 US cents per pound and $1 per pound after by-product (cobalt) credits, compared with the industry's average cash cost of $1.95 per pound.

"Our costs at the moment are in line with forecasts," says Ken Hellsten, general manager operations at Centaur. He remains comfortable with forecast production costs of 90 cents per pound at full production and adds, "the plant has been running well and smoothly since late December and there were no nasty surprises after the first scheduled shutdown in the first two weeks of March".

But the jury is still out. Many analysts believe the new laterite producers will face an array of problems, which may be why the threat of laterite production is not damping nickel's rally.

"We think production will not accelerate, as most of the industry expects," said John O'Shea, at research group John O'Shea and Associates.

Tonnage per hour, grade and recovery all seem fine, he says. But "we fear continual problems. You need everything working coincidently. Each problem could be simple. It's just keeping all [processes] going together. The lack of availability of parts will be an ongoing problem and a significant cause of delay."

Clinton urges IMF to sell gold

By Gillian O'Connor, Mining Correspondent

Bill Clinton, the US president, yesterday added his voice to the chorus of western politicians suggesting the International Monetary Fund should sell some of its gold to help developing countries.

Gold bullion fell on his remarks: the price was fixed at $283 per ounce yesterday afternoon, $6.70 lower than on Monday afternoon and 3.5 per cent below last week's 11-week high of $294.

Mr Clinton's comments follow similar remarks on Monday by Jacques Chirac, the French president. Gordon Brown, the UK chancellor of the exchequer, also called for gold sales by the IMF earlier this month.

The idea could be discussed at the G7 summit this June but would still need an 85 per cent majority vote of the IMF executive board at its meeting later this year.

Gold experts pointed out there was a good chance of the plan being adopted, since traditional opponents, such France and the US, were now voicing their support. If the move is approved, the IMF has said it is likely to phase the sales over up to 10 years in order to limit the effects on the gold market.

Although some analysts argue that the market could easily absorb IMF sales, Andy Smith of Mitsui suggested yesterday that it was the principle and not the quantity of IMF gold sales that mattered. "If the IMF is likely to sell, might not some national governments consider doing likewise?" he said.

The World Gold Council, a producers' lobby group, was critical of the plan. Officials argued that IMF sales could hurt those countries they are designed to help, since some of the world's poorest nations are gold producers.

Optimism on production cuts boosts oil

MARKETS REPORT

By Robert Corzine and Gillian O'Connor

Optimism engendered by the latest round of proposed production cuts by leading oil exporters helped give a modest boost to crude prices.

The April Brent Blend futures contract was quoted at $12.88 a barrel in late trading on London's International Petroleum Exchange, up 12 cents on Tuesday's close.

Yesterday, Youcef Yousfi, the Algerian oil minister and president of the Organisation of Petroleum Exporting Countries, said total Opec cuts under the latest production restraint plan amounted to 1.7m barrels a day, while non-Opec states will contribute an additional 400,000 b/d.

Details of the Opec cuts are due to be released at next week's Opec meeting in Vienna.

They will take effect from April 1 but analysts say it will probably take two months or so to assess overall compliance and their effectiveness in reducing the global crude surplus.

Nickel prices ran out of steam on the London Metal Exchange yesterday. They had started the day strongly, buoyed by news of further production cuts by Western Mining, and still finished the day higher, whereas most base metals closed lower.

Analysts said the outlook for nickel had changed since the start of the year, because of a series of production losses, cuts and delays.

Macquarie Equities said the market seemed to be heading for a deficit of around 5,000 tonnes.

WMC's Kambalda production is to be halved to 10,000 tonnes, in addition to last year's suspension of three mines.

In January, a production cut at the Larco mine in Greece was reported. Also, despite the new nickel laterite production in Australia, delays meant the total amount of metal processed this year will be well below analysts' original forecasts.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1140.5-41.5	1165-66
Previous	1139-40	1164-5
High/low		1173/1163
AM Official	1140-40.5	1165-65.5
Kerb close		1170-71
Open int.	305,183	
Total daily turnover	100,636	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1033-38	1057-60
Previous	1025-30	1047-51
High/low		1060/1053
AM Official	1029-30	1053-55
Kerb close		1059-60
Open int.	8,446	
Total daily turnover	4,003	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	487-8	491-2
Previous	495-6	499-9.5
High/low		495/489
AM Official	[illegible]	492-3
Kerb close		489-90
Open int.	38,958	
Total daily turnover	17,919	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5110-20	5185-90
Previous	5155-65	5230-35
High/low		5280/5160
AM Official	5120-30	5195-200
Kerb close		5215-25
Open int.	74,045	
Total daily turnover	31,884	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5345-55	5265-70
Previous	5395-405	5265-75
High/low		5290/5250
AM Official	5340-50	5250-55
Kerb close		5265-70
Open int.	20,679	
Total daily turnover	8,513	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1017-18	1030-31
Previous	1027-8	1039-40
High/low		1044/1029
AM Official	1024-25	1037-38
Kerb close		1031-32
Open int.	96,134	
Total daily turnover	19,779	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1351-52	1379-80
Previous	1352-3	1380-1
High/low		1388/1376
AM Official	1383.5-84	1381-82
Kerb close		1379-80
Open int.	173,297	
Total daily turnover	75,655	

■ LME AM Official £/$ rate: 1.6226

LME Closing £/$ rate: 1.6240

Spot: 1.6243 3 mths: 1.6229 6 mths: 1.6227 9 mths: 1.6232

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	61.20	-	61.65	61.10	804	1,183
Apr	61.45	+0.10	61.75	61.35	144	3,753
May	61.85	+0.10	62.25	61.60	7,549	[illegible]
Jun	62.25	+0.10	62.55	62.15	36	1,098
Jul	62.65	+0.10	63.00	62.50	242	9,824
Aug	63.00	+0.10	-	-	-	1,518
Total					8,777	75,411

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	282.50-283.00		
Opening	285.00-287.00		
Morning fix	286.60	177.03	283.65
Afternoon fix	283.00	174.13	[illegible]
Day's High	286.00-287.00		
Day's Low	282.10-282.50		
Previous close	289.00-290.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.29	6 months	4.07
2 months	4.26	12 months	3.73
3 months	4.21		

Silver Fix	p/troy oz.	US cts equiv.
Spot	311.65	505.50

Silver Lending Rates

1 month	1.00	6 months	0.50
2 months	1.00	12 months	0.25
3 months	1.00		

Gold Coins	$ price	£ equiv.
Krugerrand	292-295	180-182
New Sovereign	68-72	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	283.2	-3.6	283.5	283.5	-	-
Apr	282.9	-3.7	288.0	282.0	68,502	71,092
Jun	285.0	-3.6	289.8	284.0	2,995	30,710
Aug	287.9	-3.6	291.3	287.0	423	8,104
Oct	289.8	-3.6	290.4	290.0	1	2,935
Dec	291.7	-3.6	295.8	290.0	169	13,371
Total					72,188	169,606

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	366.1	+1.9	367.0	362.8	1,519	11,589
Jul	366.9	+2.7	367.0	363.8	279	3,364
Oct	367.4	+3.2	-	-	82	1,112
Total					1,880	16,080

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	352.00	+0.05	353.00	353.00	67	223
Jun	350.00	+0.05	351.00	346.00	173	2,308
Sep	344.00	+0.05	-	-	50	207
Total					290	2,878

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	506.8	-5.5	510.0	497.5	348	904
May	504.3	-5.5	513.0	495.5	24,821	48,689
Jul	506.7	-5.4	512.5	498.0	1,420	16,203
Sep	508.1	-5.2	505.5	501.0	19	4,189
Dec	509.2	-5.4	513.0	501.0	254	8,896
Jan	508.9	-5.4	516.0	513.0	-	11
Total					[illegible]	85,357

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	14.47	+0.02	14.52	14.30	57,408	88,096
May	14.55	+0.05	14.60	14.40	44,531	124.3
Jun	14.52	+0.08	14.53	14.35	17,444	77,249
Jul	14.49	+0.08	14.49	14.33	8,609	34,650
Aug	14.40	+0.01	14.45	14.33	5,335	24,315
Sep	14.44	+0.06	14.45	14.30	2,994	16,885
Total					149,771	588,841

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Apr	12.68	+0.12	12.70	12.51	9,851	16,150
May	12.72	+0.72	12.77	12.60	27,548	84,124
Jun	12.76	+0.01	12.78	12.65	8,334	50,970
Jul	12.79	-	12.80	12.69	2,018	17,915
Aug	12.80	-0.03	12.82	12.73	886	7,789
Sep	12.83	-0.04	12.84	12.76	268	11,837
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	37.80	-0.28	38.50	37.45	13,189	35,877
May	37.95	-0.21	38.20	37.50	7,155	25,304
Jun	38.35	-0.01	38.45	37.90	3,699	19,585
Jul	38.85	+0.09	38.85	38.30	2,085	14,975
Aug	39.45	+0.09	39.45	39.00	1,488	12,923
Sep	39.90	-0.16	40.10	39.80	898	7,463
Total					34,828	164,203

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	112.25	-2.00	113.50	111.75	6,646	33,161
May	112.25	-1.50	113.25	112.25	3,636	26,910
Jun	113.50	-0.75	114.25	113.25	2,660	16,357
Jul	115.00	-0.50	115.50	114.50	1,179	8,539
Aug	117.00	-	117.75	116.50	813	6,253
Sep	119.00	-	119.50	119.00	549	6,061
Total					21,084	140,369

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	9.350	-0.050	9.370	9.350	50	[illegible]
May	9.250	-0.020	9.260	9.250	25	[illegible]
Total					140	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	1.713	-0.022	1.750	1.708	28,271	50,333
May	1.759	-0.005	1.790	1.745	9,532	28,492
Jun	1.780	-0.006	1.820	1.780	4,158	20,391
Jul	1.810	-0.006	1.845	1.810	3,622	17,350
Aug	1.850	+0.002	1.870	1.840	1,703	14,271
Sep	1.875	-0.003	1.900	1.875	1,354	15,240
Total					62,728	293,483

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	44.45	-0.56	45.80	44.10	15,013	32,556
May	45.35	-0.34	45.73	45.05	5,360	24,813
Jun	45.95	-0.15	46.10	45.65	2,786	21,526
Jul	46.10	-0.20	46.30	45.90	935	[illegible]
Aug	46.10	-0.10	46.30	45.85	295	4,197
Sep	45.60	-0.25	45.60	45.35	134	3,758
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	73.75	-1.00	74.50	74.50	8	33
May	75.50	-1.00	76.05	75.50	128	3,153
Jul	77.30	-0.95	77.75	77.30	119	1,887
Sep	76.00	-1.00	-	-	-	164
Nov	78.00	-1.00	78.50	78.00	201	3,052
Jan	80.00	-1.00	80.25	80.00	17	532
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	269.00	+4.25	269.00	262.50	398	546
May	276.50	+4.25	277.00	270.50	8,318	43,584
Jul	285.50	+4.75	287.25	280.50	12,197	54,066
Sep	295.50	+3.75	297.50	291.00	685	5,728
Dec	310.75	+3.75	311.50	306.00	532	8,857
Mar	318.00	+3.50	-	-	95	2,532
Total					22,221	118,372

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	217.25	+3.50	217.50	213.75	2,804	3,674
May	223.75	+3.75	224.00	219.75	25,157	129,551
Jul	229.25	+2.75	229.50	226.00	8,090	105,123
Sep	235.50	+2.50	235.75	233.00	753	24,293
Dec	244.50	+3.25	244.75	241.00	4,449	69,839
Mar	252.00	+3.50	252.25	248.60	295	9,572
Total					39,487	347,243

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	73.00	-	-	-	-	15
May	74.00	-	-	-	-	183
Sep	74.25	-0.50	-	-	-	35
Nov	76.50	-0.50	-	-	-	325
Jan	78.50	-0.50	-	-	-	20
Total					0	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	477.25	+12.75	478.50	465.00	1,157	2,077
May	482.75	+11.75	488.00	471.00	18,644	64,803
Jul	489.50	+11.00	491.50	478.50	2,176	45,325
Aug	492.00	+10.75	493.00	482.00	567	15,273
Sep	493.00	+9.75	494.00	484.50	343	6,064
Nov	500.00	+9.75	502.00	489.50	2,884	27,252
Total					25,857	163,732

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	18.65	+0.57	18.65	18.00	847	923
May	18.88	+0.55	18.95	18.25	7,357	50,785
Jul	19.14	+0.53	19.25	18.52	1,789	31,475
Aug	19.26	+0.53	19.40	18.73	154	8,872
Sep	19.45	+0.54	19.50	18.85	134	8,233
Oct	19.60	+0.59	19.60	19.03	97	4,753
Total					18,842	137,688

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	131.1	+2.5	131.8	128.5	962	2,725
May	132.9	+2.8	133.0	130.0	6,443	43,836
Jul	134.0	+2.5	134.5	131.5	2,362	36,128
Aug	135.5	+2.4	135.8	133.1	277	11,824
Sep	137.0	+2.5	137.0	134.5	236	8,929
Oct	137.8	+2.2	138.0	135.5	423	4,808
Total					11,838	122,780

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	298.0	+6.0	298.0	295.0	158	1,766
May	328.0	+6.0	329.0	326.0	10	44
Jun	338.0	+6.0	-	-	-	-
Nov	85.0	-	-	-	-	3
Mar	125.0	-	-	-	-	-
Total					173	1,967

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1005	-15	1010	1000	13	213
Apr	1020	-25	1025	1020	22	913
Jul	918	-10	-	-	-	572
Oct	1030	-20	-	-	-	380
Jan	1035	-20	-	-	-	40
Total					62	2,180

	Close	Prev
BFI	1001	[illegible]

PULP AND PAPER

■ PULPEX OMLX (US$: 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	424.75	-	-	-	-	278
Jun	438.00	-7.50	449.00	437.00	105	453
Total					132	799

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	824	-1	821	815	303	1,873
May	832	-3	832	821	2,880	50,234
Jul	849	-1	848	836	1,072	16,815
Sep	866	-1	863	853	1,077	26,068
Dec	889	-2	886	878	2,647	25,525
Mar	913	-1	910	903	435	18,305
Total					11,818	186,128

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1229	+35	1170	1160	5	19
May	1232	+29	1237	1187	2,487	30,819
Jul	1254	+29	1259	1210	463	13,672
Sep	1277	+29	1279	1237	14	8,268
Dec	1312	+27	1315	1275	48	6,016
Mar	1347	+27	1347	1310	142	6,286
Total					3,525	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Mar 16	Price	Prev. day
Daily	952.45	967.73

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1760	+66	1795	1690	419	5,242
May	1580	+9	1576	1549	3,055	30,149
Jul	1588	+8	1575	1550	984	10,339
Sep	1598	+8	1580	1558	703	4,147
Nov	1663	+7	1572	1560	81	1,531
Jan	1681	+8	1580	1550	36	439
Total					5,282	51,959

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	105.06	+2.16	105.00	104.70	44	419
May	105.20	+1.90	108.50	104.00	5,684	23,582
Jul	106.45	+1.85	107.25	105.80	1,118	8,150
Sep	108.00	+1.90	108.40	107.50	342	5,250
Dec	109.35	+1.80	109.50	109.00	78	2,351
Mar	110.65	+1.80	110.50	110.60	22	730
Total					7,301	40,888

■ COFFEE (ICO) (US cents/pound)

Mar 15		Prev. day
Comp. daily	88.49	89.70
15 day average	90.26	90.42

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	207.0	-1.0	208.0	206.0	1,993	23,810
Aug	200.7	-1.1	201.8	199.5	[illegible]	12,687
Oct	195.8	-0.9	196.0	194.5	427	10,621
Dec	196.4	-1.1	197.2	196.0	115	4,118
Mar	201.4	-1.1	202.2	201.0	65	2,978
May	202.6	-1.3	203.2	202.6	100	1,262
Total						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	5.82	-0.04	5.86	5.74	6,569	69,376
Jul	5.59	-0.05	5.60	5.51	3,092	44,023
Oct	5.93	-0.05	5.98	5.88	805	27,429
Mar	6.55	-	6.57	6.48	203	16,631
May	6.62	-	-	-	1	3,212
Jul	6.67	-0.04	-	-	29	2,160
Total					10,680	166,297

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	61.17	+0.31	61.60	60.84	3,598	23,644
Jul	60.57	+0.32	60.85	60.25	1,005	14,374
Oct	59.45	+0.10	59.50	59.15	3	1,799
Dec	59.30	+0.15	59.30	59.00	451	16,549
Mar	60.33	+0.18	60.25	60.15	6	2,309
May	60.90	-	60.90	60.90	5	1,108
Total					5,070	61,259

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	82.25	-0.35	82.90	81.00	403	17,166
Jul	82.80	-0.30	83.00	82.00	97	5,412
Sep	83.40	-0.15	83.75	83.10	56	2,540
Nov	84.05	-0.20	84.25	83.75	54	2,008
Jan	85.55	-0.35	86.00	85.25	30	1,183
Mar	87.55	-0.35	-	-	-	312
Total					640	28,769

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

Tea from the Tea Brokers' Association Mombasa Continuing strong demand. Brighter BPI's were dearer by 5 to 10 cents with mediums firm to 5 cents up. Neater lower mediums were firm to 5 cents dearer but poor leaf types were again neglected. Plainer sorts were lower by about 2 to 5 cents. Brighter liquoring PF1's were irregularly dearer following quality whilst mediums appreciated by about 4 to 9 cents. Lower mediums were on balance firm. Neater plainer sorts tended dearer but others were easier by about 3 cents with poorly made types neglected. Brighter liquoring pdusts were irregularly dearer following quality.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 16	Mar 15	month ago	year ago
1387.7	1393.8	1432.4	1687.2

■ CRB Futures (Base: 1967 = 100)

Mar 15	Mar 12	month ago	year ago
186.02	187.69	-	-

■ GSCI Spot (Base: 1970 = 100)

Mar 15	Mar 12	month ago	year ago
142.00	142.69	130.00	162.56

■ LME WAREHOUSE STOCKS (tonnes)

Aluminium	-350	to	854,325
Aluminium alloy	-20	to	[illegible]
Copper	-7,950	to	668,725
Lead	-50	to	[illegible]
Nickel	-444	to	[illegible]
Zinc	-1,525	to	[illegible]
Tin	-60	to	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	66.760	+0.400	66.975	66.200	9,418	48,878
Jun	64.450	+0.425	64.550	64.050	3,938	38,228
Aug	62.575	+0.200	62.725	62.450	1,268	16,321
Oct	64.675	+0.075	64.750	64.500	984	[illegible]
Dec	66.425	-0.025	66.575	66.375	350	4,258
Feb	67.700	+0.075	67.800	67.550	180	1,291
Total					n/a	n/a

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	40.925	-0.150	41.375	40.500	3,482	12,655
Jun	52.525	+0.500	52.750	51.300	3,501	14,251
Jul	54.075	+0.325	54.300	53.025	805	4,734
Aug	54.050	+0.175	54.700	54.050	467	4,401
Oct	52.975	+0.300	53.000	52.380	601	5,044
Dec	53.950	-0.050	54.000	53.750	240	2,814
Total					n/a	n/a

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	50.050	+2.050	50.050	49.275	83	142
May	51.125	+1.800	51.325	49.100	973	2,746
Jul	52.250	+1.875	52.300	50.450	110	1,190
Aug	51.425	+1.475	52.000	50.000	34	371
Total					n/a	n/a

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1150	38	60	22	31
1200	17	43	49	54
1250	6	25	88	86
■ COPPER (Grade A) LME	May	Aug	May	Aug
1350	56	97	31	49
1400	32	71	57	73
1450	17	51	91	101
■ COFFEE LIFFE	May	Jul	May	Jul
1550	192	56	1	46
1600	143	34	1	74
1650	92	20	1	110
■ COCOA LIFFE	May	Jul	May	Jul
800	46	70	13	21
825	18	49	36	43
850	11	32	54	58
■ BRENT CRUDE IPE	May	Jun	May	Jun
1200	-	-	26	48
1250	-	90	-	70
1300	38	63	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.47-2.53	-0.08
Brent Blend (dated)	$12.46-2.49	+0.05
Brent Blend (May)	$12.74-2.77	+0.055
W.T.I.	$14.55-4.56x	+0.105

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Unleaded Gasoline ‡	$129-132	
Gas Oil	$115-119	-3
Heavy Fuel Oil	$56-57	
Naphtha	$115-117	
Jet fuel	$126-127	-3
Diesel	$118-120	-2.5

■ NATURAL GAS (Pence/therm)

		+or-
Bacton (Apr)	9.33-9.38	-0.02

Petroleum Argus. Tel. London (0171) 359 8792

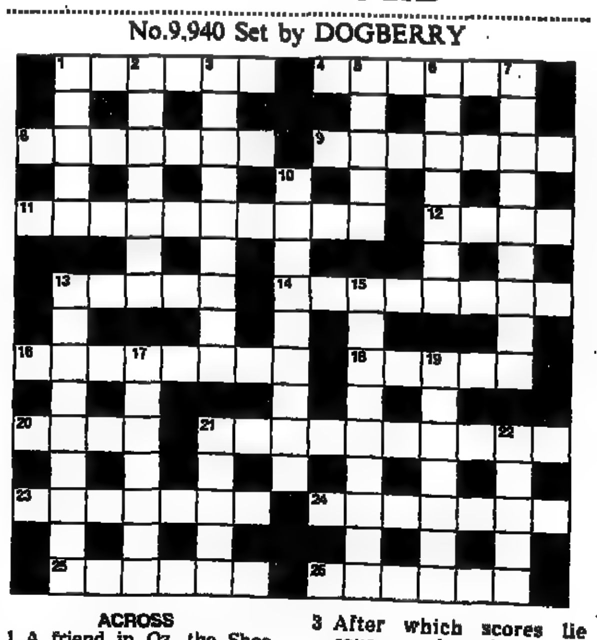
■ OTHER

		+or-
Gold (per troy oz)‡	$282.75	-7.10
Silver (per troy oz)‡	505.50c	-15.00
Platinum (per troy oz.)	$364.25	
Palladium (per troy oz.)	$349.50	
Copper	67.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.75r	+0.14
Tin (New York)	254.5	+2.0
Cattle (live weight)	93.13p	+1.75*
Sheep (live weight)	82.19p	-4.21*
Pigs (live weight)	62.09p	-2.83*
Lon. day sugar (raw)	$155.50	-1.10
Lon. day sugar (wte)	$219.50	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Mar)¥	43.25p	-0.25
Rubber (Apr)¥	43.75p	-0.25
Rubber (KL RSS No1)	241.00m	-2.00
Coconut Oil (Phil)§	700.0	+5.0
Palm Oil (Malay)§	460.0y	-10.0
Copra (Phil)§	450.0c	
Soyabeans (US)	144.0y	-1.0
Cotton Outlook 'A' index	58.90	-0.20
Wooltops (64s Super)	300p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Mar/Apr. § CIF Rotterdam. ¥ Bullion market close. * Change on week. [illegible]

CROSSWORD

No.9,940 Set by DOGBERRY



ACROSS

1 A friend in Oz, the Shoemaker, getting left out (6)
4 Push to one side with a spade (6)
8 Orison's grim in all honesty (7)
9 Get in the way of spin-doctoring function (7)
11 Poetic epitaph on old French port? (10)
12 Roll into combat (4)
13 Tips for tourneys (5)
14 "A reddish hue engulfs the Great North Road" – a model of Persian verse (8)
16 Took part of odd instrument (4-4)
18 Extra lean (5)
20 With all due respect to speed (4)
21 Prodigy's orchestral section receiving less than 1,000 (10)
23 It went down big (7)
24 Make a hero of student, being put on charge (7)
25 Composer, otherwise harmless, abandoned ship (6)
26 Commit crime by being over the limit? (6)

DOWN

1 Moderator of church music (5)
2 Torment or seduce with sin (7)
3 After which scores lie square, perhaps (9)
5 Singers without principal god (5)
6 Long live Lord Irvine's top composer! (7)
7 Catches garment on a painting (9)
10 Increase in money, taking in half rent, a thousand (9)
13 It's smart to circumvent island's clan loyalties (9)
15 Stand-in for graduate's artwork? (3-6)
17 It clears the view of two trees after early start (7)
19 Obliquely request new cane (7)
21 One in the roller is let pass (5)
22 Caught scent of French boy – revolting (5)

Solution 9,939

C	U	R	T	S	E	Y		M	U	G	G	I	N	S
R		E		W		O		E		E		R		E
O	L	D	I	E		U	N	D	E	R	R	A	T	E
S		H		L		R		O		M		O		P
I	D	E	O	L	O	G	I	C		I	B	I	Z	A
E		A				R				N				G
R	E	D	I	D		A	V	A	L	A	N	C	H	E
		E		I		C		D		T		H		
P	E	D	I	G	R	E	E	D		E	X	I	S	T
I				E				R				P		H
T	O	M	E	S		S	T	E	V	E	D	O	R	E
F		A		T		O		S		T		L		A
A	I	R	F	I	E	L	D	S		H	E	A	R	T
L		I		O		I		E		I		T		R
L	E	A	R	N	E	D		D	E	C	E	A	S	E

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Barclays International Funds - Contd.

Gartmore Fund Managers Intl Ltd (z)

PO Box 278, 45 La Motte St, Jersey 01534 888888

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

PO Box 657, New Street, St Helier, Jersey 01534 604614

Lloyds Bank (CI) U/T Mgrs.

PO Box 311, St Helier, Jersey 01534 284242

Lloyds TSB Fund Managers (CI) Ltd

PO Box 538, St Helier, Jersey 01534 503002

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 01534 606000

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mgmt (Jersey) Ltd

WWB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official list.

AIM - Continued

Virtual Internet	180	-9	341½	153	-	-	-
Voss Net	98	+10	155	41½	-	-	31.4
Wiki	32	...	88½	21½	-	-	-
Weather Action	38½	...	87½	32½	-	-	-
Weeks Group	2	...	4½	1¾	-	6.9	8.7
West 175 Ents	80½	-7	87	43	-	-	-
West Bromwich Albion	8100		8140	8095	-	-	12.1
Western Select	8¼	...	13	7¾	-	3.8	27.4
Westmount Energy	17½	-	309	17½	-	-	-
Willington	60	-	86	60	-	10.0	2.4
Winchester	60	...	112½	55½	-	-	51.3
World Telecom	86	...	208	55	-	-	-
3DD	183	-5½	170	111½	-	-	-
Xavier Computer	27½	—	27½	8	-	-	20.3
Yeoman	51½	—	82	51½	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these stocks are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for these particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend cover are published on Monday.

Earnings used in calculations are based on BMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) stock incorporated non-listed companies.
- # Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates
f Dividend/yield adjusted for complex issue
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Dividend/yield includes special payment after 6/4/99
z Dividend yield includes a special payment
F Yield based on prospectus or other offical estimates for 1998-99
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1998
K Yield based on prospectus or other offical estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
P Dividend/yield adjusted for consolidation or share split
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
W Pro forma figures.
Z Dividend paid to date.

Abbreviations:
xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xll ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 60p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0985 843 0005

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

London ignores Dow's dash and heads south

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Optimism about the strength of Wall Street, where the Dow Jones Industrial Average moved fleetingly past 10,000, helped the London market early in yesterday's session.

But ironically it was as the Dow made its dash to 10,000 that London moved in the opposite direction, with the FTSE 100 index eventually finishing 4.9 off at 6,201.9.

The FTSE 250 gave a similar performance, closing only 0.8 ahead at 5,519.7, having been up 18.4 at best, in mid-morning. Meanwhile, the FTSE SmallCap marched on, posting a 9.2 gain at 2,375.8.

An early surge had taken the FTSE 100 up 62.8 to a session high of 6,269.6 as investors anticipated the Dow's move. Marketmakers in London said they expected Wall Street to run on again, although how far was said to be questionable.

As for London: "There is no reason, apart from a sharp retreat on Wall Street, why we should come off," was the view of a senior trader at one European investment bank.

The overnight resignation of the entire European Commission did not seem to have much impact on the market, with analysts pointing out that the commission neither set interest rates nor determined fiscal policy.

Buyers moved back into the market yesterday, regaining some of the confidence lost during the previous two sessions when profit-taking and the biggest-ever block trade, involving Cable and Wireless, drained much liquidity.

The telecoms sector, which suffered badly on Monday, rallied yesterday, with Colt Telecom in the lead.

A burst of takeover activity in the small-caps gave a lift to sentiment.

Takeover offers included a hostile bid from Unigate for Terranova, the chilled foods group recently spun off from Hillsdown; a counterbid for Albright & Wilson, the chemicals group, from Rhodia of France that topped the bid from Albemarle of the US; an agreed bid for Eclipse Blinds from Headlam Group; and an agreed bid for Porter Chadburn from Mail-Well of the US.

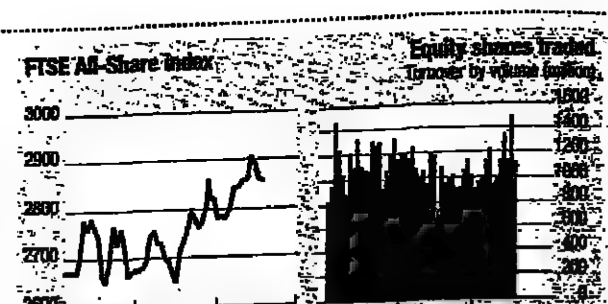
Adding to the market's initial feel-good factor was news that the UK equity strategy team at Credit Suisse First Boston had upgraded its top-down 1999 earnings per share growth forecasts to 3 per cent from zero.

CSFB's shift "sets earnings growth in line with nominal [gross domestic product] growth. The better tone to the results season and the firmer look to lead indicators such as business surveys have helped in this assessment."

But CSFB warned there would be more forecast downgrades from bottom-up analysts, where expectations are "an unfeasible 9 per cent", and said it would be leaving its end-1999 FTSE 100 target at 6,200 "because of a projected firm tone to bond yields which is constraining heady valuations".

On the downside, the list of profit warnings grew longer with shares in Kelsey Industries, the engineering group, tumbling 27 per cent and Hi-Tec, the sportswear group, dipping 11 per cent.

Turnover was 1.11bn shares by the 6pm count, of which non-Footsie stocks made up a slight majority.



Indices and ratios

FTSE 100	6201.9	-4.9	FT 30	3778.0	-5.4
FTSE 250	5519.7	+0.8	FTSE Non-Fins p/e	24.58	24.57
FTSE 350	2957.5	-1.9	FTSE 100 Fut Mar	6178.5	-9.0
FTSE All-Share	2862.31	-1.21	10 yr Gilt yield	4.67	4.73
FTSE All-Share yield	2.66	2.66	Long gilt/equity yld ratio	1.77	1.80

Best performing sectors

1. Life Assurance +1.5
2. Alcoholic Beverages +1.2
3. Banks: Retail +1.2
4. Chemicals +1.0
5. Paper: Pckg & Printing +1.0

Worst performing sectors

1. Engineering -1.5
2. Electronic & Elect Equip -1.5
3. Retailers: Food -1.3
4. Insurance -1.2
5. Tobacco -1.0

Merger news lifts Zeneca

COMPANIES REPORT

By Peter John, Martin Brice and Simon Bernholt

Zeneca jumped 50 to £24.65 as an announcement from the pharmaceuticals group revived the market's appetite for the stock.

The statement that it was moving back the deadline of its offer for Astra of Sweden appeared to be bad news at first glance. But the statement contained positive details on the merger.

The deadline was extended from tomorrow to the end of the month to encompass US regulatory approval.

"May was being talked about as the merger date but this is confirmation that we are within weeks of completion," said Ian Smith of Lehman Brothers.

The nearing of completion is expected to nudge into action UK fund managers who will need to adjust their holdings in Zeneca-Astra to reflect the increased weighting the company has in the Footsie. Although specific data are hard to get, dealers said most UK funds were still underweight and, as the stock would still be quoted in Sweden, there would be little compensatory sell-off there.

Royal Bank of Scotland, hit this week following vague concerns about its US position, recovered sharply yesterday with a big push from one broker.

HSBC Securities raised its forecasts for the stock in response to a positive company visit last week and set a £15.00 share price target.

The broker increased its current-year profit estimate 5 per cent to £1.1bn and its 2000 forecast 9 per cent to £1.25bn. The share price jumped 43 to £12.89½.

HSBC and Standard Chartered were helped by a recommendation on the Asian banks from Morgan Stanley. HSBC rose 27 to £19.29 and Standard 9½ to 907p.

A push from Salomon Smith Barney helped Alliance & Leicester lift 14½ to 835½p. The US broker reiterated its positive stance and 920p-a-share price target, saying the shares had underperformed since the recent figures but the bank had one of the best business mixes of all the converted building societies.

Industrial gases company BOC climbed 33 to 917½p as buying of cyclicals was boosted by a clutch of broker notes and a shortage of stock.

Underperforming industrial stocks have been rediscovered amid growing expectations that the UK economy will see a soft landing rather than recession. WestLB Panmure is the latest to boost the stock with a price target of £10.00.

BOC, which has traded between 800 and 880p since last December managed to break above 890p on Friday. That was seen as a bullish chart move and investors started picking up stock aggressively after that.

Phosphates group Albright & Wilson rose 10½ to 148p as Rhodia of France offered 145p a share for the company topping the 130p-a-share bid by Albemarle of the US. The underlying premium to the offer suggested that either Albemarle could hit back or a third party could come in at an even higher level.

The results from Computacenter helped dispel some of the stigma of a "box shifter" that attached to the information technology stock when it listed at 670p in May.

It slightly exceeded some analysts' forecasts when it reported final figures yesterday and closed up 23½ at 523½p. This was 36 per cent below the 822½p touched on its first day of trading, although well above its lowest level of 357½p touched in October.

Brisk volume of 3.9m included a single deal of 2.4m shares traded at 515p for an institutional investor by Charterhouse Securities.

Graham Brown, IT analyst at Sutherlands, who has a "buy" recommendation on the stock, said: "Sentiment is shifting to the view that this stock has more to offer than a box shifter."

Rocky ride

The rocky ride endured by Computacenter shareholders since the float has been reflected in the performance of Synstar. Floated two weeks ago by Morgan Stanley at 165p, it was off a penny at 137p. However Axon, floated last week via WestLB Panmure at 175p, gained 22 to 291½p. The results from Computacenter were said to be awaited by smaller company fund managers ahead of their decisions on buying stock in Morse, which Merrill Lynch floats next week. Dresdner Kleinwort Benson yesterday said it preferred Morse to Computacenter, which it valued in a range of 350p-450p.

National Power improved 10 to 463½p, helped by Merrill Lynch upgrading its intermediate rating on the stock to "neutral".

British Biotech fell almost 10 per cent or 1¾ to 16p, with the share price indicating it is valued at little more than its cash reserves.

Sally Bennett at Sutherlands said: "At this level, no success for the cancer drug Marimastat is factored in. This would seem to be slightly excessive after the first of what will be 10 trials." The market also expects negative news on the pancreatic drug Zacutex.

The long-awaited move for Terranova Foods – up 31 to 135½p on a volume of 15m – by Unigate – unchanged at 410½p – drew an instant reaction from Terranova, which was spun-off from Hillsdown last year. It described the hostile bid of 125p per share "opportunistic", and Carl Short of Société Générale said: "It ain't yet over at Terranova."

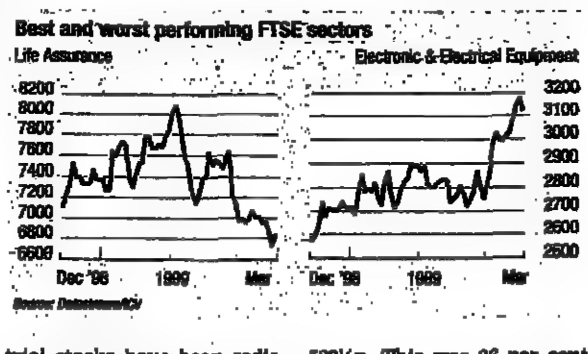
US investors are said to favour focused engineering companies and yesterday's long-rumoured move by Charter to sell its specialist engineering side was interpreted as increasing its attraction to a bidder.

Geoff Allum at Henderson Crosthwaite, who estimates Charter's break-up value is about twice its share price, said: "These figures demonstrate that the company is not falling off a cliff as the share price has been indicating it would. Charter is now looking remarkably cheap, on any form of valuation."

Estimates for the price the engineering unit might fetch hovered in the region of £200m. It produces about 24 per cent of Charter's profits, suggesting that if the group were valued on a similar basis, it would be worth a total of £800m. This compares with a market capitalisation of £360m last night.

Shares rose more than 5 per cent, or 12 to 381p.

Morgan Crucible rose 12½ at 259p after announcing the sale of its maintenance and repair side and plans for a 15 per cent buy-back.



FT 30 INDEX

	Mar 16	Mar 15	Mar 12	Mar 11	Mar 10	Yr ago	*High	*Low
FT 30	3778.0	3783.4	3832.8	3841.5	3806.1	3711.8	4094.9	2790.8
Ord. div. yield	2.73	2.73	2.70	2.68	2.72	2.95	4.22	2.72
P/E ratio net	23.22	23.21	23.49	23.81	23.31	23.06	28.41	18.00
P/E ratio nil	23.15	23.16	23.42	23.84	23.28	23.75	28.19	15.71

FT 30 since compilation: high 4094.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3783.4	3807.5	3809.1	3803.5	3800.0	3798.3	3754.8	3774.2	3818.4	3753.7

STOCK MARKET TRADING DATA

	Mar 16	Mar 15	Mar 12	Mar 11	Mar 10	Yr ago
SEAQ bargains	98,777	92,596	93,501	97,294	84,331	91,895
Equity turnover (£m)†	-	N/A	[illegible]	5814.5	3965.1	[illegible]
Equity bargains†	-	N/A	79,036	78,015	66,325	83,706
Shares traded (ml)†	-	N/A	1033.4	1211.5	986.3	927.7
Total market bargains‡	-	N/A	92,702	97,165	83,135	-
Total turnover (£m)‡	-	N/A	6337.6	7832.9	5053.4	-
Total shrs traded (mil)‡	1110.7*	1497.0	1309.6	1563.7	1222.1	-
Tradepoint turnover (£m)	39.4	23.7	43.8	40.4	30.4	20.7
Tradepoint shrs traded(m)	10.9	13.8	13.6	17.4	11.6	6.2

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	707	Total Highs	83	Total contracts	30,914
Total Falls	749	Total Lows	37	Calls	16,219
Same	1,394			Puts	14,695

Mar 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	6221.0	6198.0	-1.0	6270.0	6173.0	67853	123496
Jun	6260.0	6240.0	-1.0	6305.0	6220.0	46207	91056
Sep	-	6289.0	-1.0	-	-	0	3898

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5518.0	5502.0	-4.0	5518.0	5516.0	176	2299
Jun	5534.0	5520.0	+1.0	5534.0	5534.0	176	[illegible]

FTSE 100 INDEX OPTION (LIFFE) (*6202) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Allocation Applied Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	Low	Stock	Closing price p	+/-
320	Nil	[illegible]	[illegible]	[illegible]	First Tech Oil Pf	[illegible]	[illegible]
15	Nil	[illegible]	[illegible]	[illegible]	Oxford Biomedica	[illegible]	[illegible]
405	Nil	[illegible]	[illegible]	[illegible]	Waste Recycling	[illegible]	[illegible]

pm premium.

FTSE GOLD MINES INDEX

	Mar 16	% chg on day	Mar 12	Year ago	Gross div yield %	Total return	52 week High	Low
Gold Mines Index (28)	[illegible]	-3.33	857.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Regional Indices								
Africa (6)	1088.78	-4.03	1098.92	1003.22	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (8)	1178.52	-1.67	1198.51	1262.83	[illegible]	[illegible]	[illegible]	[illegible]
Americas (11)	841.35	-3.41	871.03	1062.49	[illegible]	[illegible]	[illegible]	[illegible]

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FTSE Actuaries Share Indices — The UK Series

In conjunction with the Faculty and Institute of Actuaries

	£ Stlg Mar 16	Day's chge%	Euro Index	£ Stlg Mar 15	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6201.9	-0.1	7196.2	6206.8	5834.9	2.56	2.29	1.93	25.27	40.46	2764.03
FTSE 250	5519.7	—	6404.6	5518.9	5403.1	2.97	2.66	2.08	20.12	27.13	2413.62
FTSE 250 ex Inv Tr	5567.0	—	6459.5	5567.9	5441.4	3.08	2.76	2.17	18.73	27.43	2445.11
FTSE 350	2957.5	-0.1	3431.8	2959.4	2802.4	2.68	2.35	1.96	24.28	18.64	2593.59
FTSE 350 ex Inv Tr	2964.3	-0.1	3439.6	2966.3	2806.5	2.63	2.36	1.97	24.04	18.71	[illegible]
FTSE 350 Higher Yield	[illegible]	—	3262.7	2829.8	2780.4	3.52	[illegible]	1.85	19.42	21.74	2215.88
FTSE 350 Lower Yield	3087.4	-0.1	3582.4	3090.7	2841.5	1.69	1.50	2.26	32.78	14.84	2271.63
FTSE SmallCap	2375.78	+0.4	2756.68	2366.65	2565.27	3.37	2.87	2.03	18.31	10.96	2108.54
FTSE SmallCap ex Inv Tr	2343.43	+0.4	2719.14	2333.99	2557.50	3.56	3.04	2.16	18.32	10.26	2102.96
FTSE All-Share	2862.31	—	3321.22	2863.52	2731.86	2.66	2.37	1.97	23.91	17.72	2645.75
FTSE All-Share ex Inv Tr	2872.86	—	3333.46	2874.26	2738.26	2.67	2.39	1.98	23.58	17.91	1366.41
FTSE Fledgling	1290.15	+0.3	1497.00	1286.33	1392.74	3.71	3.06	1.38	24.84	5.06	1458.74
FTSE Fledgling ex Inv Tr	1300.39	+0.2	1508.88	1297.33	1414.09	4.23	3.52	1.40	21.07	5.26	1478.72
FTSE All-Small	1344.79	+0.4	1560.39	1339.86	1452.06	3.44	2.91	1.88	19.97	6.01	1523.37
FTSE All-Small ex Inv Tr	1351.98	+0.4	1568.71	1346.96	1474.28	3.69	3.14	1.98	17.10	5.63	1542.88
FTSE AIM	858.3	-0.2	995.9	860.0	1046.0	1.30	1.08	30.00†	0.12	1.21	799.29

FTSE Actuaries Industry Sectors

	£ Stlg Mar 16	Day's chge%	Euro Index	£ Stlg Mar 15	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	4468.16	-0.5	5184.53	4490.12	4461.54	3.12	2.81	1.72	[illegible]	[illegible]	[illegible]
12 Extractive Industries(6)	3324.09	-0.4	3857.03	3337.46	3211.82	3.84	3.38	2.01	16.21	69.75	1036.68
15 Oil, Integrated(3)	5173.00	-0.5	6002.38	5200.70	4902.97	3.08	2.76	1.03	[illegible]	[illegible]	2401.47
18 Oil Exploration & Prod(6)	1584.17	+0.5	1838.15	1575.60	3274.64	2.03	1.89	‡	‡	7.97	997.29
20 GEN INDUSTRIALS(188)	2017.30	-0.8	2340.73	2029.28	2195.24	3.43	3.11	2.37	15.34	15.49	1217.25
21 Construction(37)	1496.30	-0.2	1736.20	1499.89	1623.77	3.29	2.65	3.32	11.43	8.10	1365.47
22 Building Matls & Merchs(23)	1813.60	+0.4	2104.37	1806.23	1871.89	4.04	3.68	2.28	13.56	0.60	1012.01
23 Chemicals(20)	2049.83	+1.0	2378.48	2028.65	2830.54	4.67	4.46	1.58	16.88	39.78	1088.16
24 Diversified Industrials(4)	1025.81	+0.2	1190.27	1023.48	1488.70	6.39	5.63	1.09	18.16	5.28	854.33
25 Electronic & Elect Equip(28)	3131.14	-1.5	3633.15	3178.59	2390.73	2.37	2.08	2.04	25.87	16.58	1765.38
26 Engineering(53)	2476.14	-1.5	2873.13	2515.11	2947.88	3.38	3.06	2.41	15.31	19.03	1642.95
27 Engineering, Vehicles(9)	4498.29	+0.1	5219.49	4493.93	3990.10	2.03	1.87	4.45	13.85	34.12	2525.52
28 Paper, Pckg & Printing(17)	1772.06	+1.0	2056.17	1755.17	2269.30	6.03	5.33	2.22	9.33	25.92	831.15
30 CONSUMER GOODS(91)	5888.42	+0.2	6832.49	5878.76	5692.52	2.30	2.20	1.92	28.28	31.27	2367.46
32 Alcoholic Beverages(5)	3783.68	+1.2	4390.31	3737.11	3844.60	3.31	3.29	2.33	16.20	0.34	1516.94
33 Food Producers(25)	3376.27	+0.8	3917.58	3348.41	3856.97	2.69	2.47	2.11	21.99	16.92	1663.08
34 Household Goods & Textls(13)	2088.73	-0.4	2423.61	2096.15	3413.62	4.86	4.58	1.68	15.28	6.06	899.36
36 Health Care(14)	2537.33	-0.6	2944.13	2551.69	2321.69	2.11	1.88	1.97	30.04	2.36	1640.28
37 Pharmaceuticals(23)	10627.15	-0.1	12330.97	10634.57	9609.69	1.66	1.60	1.81	41.60	71.48	3854.77
38 Tobacco(3)	6624.54	-1.0	7686.63	6692.48	5174.46	4.82	4.53	1.46	17.73	43.60	1896.67
40 SERVICES(261)	3873.37	-0.4	4494.36	3890.65	3298.48	2.18	1.85	2.13	26.87	10.83	2161.06
41 Distributors(25)	1980.33	-0.8	2297.83	1997.13	2735.01	4.59	4.00	2.07	13.19	8.25	798.47
42 Leisure & Hotels(31)	3943.42	-0.8	4575.65	3975.78	3797.16	2.22	2.10	3.04	18.54	33.25	2274.72
43 Media(45)	5288.31	-0.1	6136.17	5294.05	4410.23	1.85	1.70	2.28	29.70	28.27	2032.14
44 Retailers, Food(13)	2368.99	-1.3	2748.81	2400.76	2910.87	3.85	3.10	2.16	15.03	4.57	1636.56
45 Retailers, General(41)	2369.42	-0.4	2749.31	2379.47	2350.87	3.16	2.54	2.07	19.12	5.99	1470.08
46 Telecommunications(7)	6063.23	-0.7	7035.32	6108.16	3646.43	1.48	1.21	1.64	51.38	4.51	2991.01
47 Breweries, Pubs & Rest.(25)	3852.67	-0.2	4470.36	3860.45	4138.60	3.27	2.65	2.20	17.37	16.56	2008.51
48 Support Services(68)	5181.41	+0.4	6012.13	5160.04	4575.19	1.18	1.08	2.90	38.38	3.81	3436.74
49 Transport(29)	3583.50	-0.4	4158.03	3598.00	3383.87	2.90	2.49	1.98	21.77	15.32	1624.95
60 UTILITIES(20)	3710.64	-0.5	4305.56	3727.57	3719.08	4.18	3.63	1.84	16.23	11.51	1810.61
62 Electricity(7)	4089.03	-0.3	4744.61	4101.02	4181.42	4.72	3.90	1.31	20.30	9.64	2448.06
64 Gas Distribution(2)	3145.15	-0.3	3649.40	3156.32	2743.48	2.01	1.78	2.71	23.03	0.00	1833.32
68 Water(11)	2988.88	-0.9	3468.07	3016.27	3313.38	5.62	5.18	2.35	9.47	24.10	1898.31
69 NON-FINANCIALS(588)	2878.12	-0.3	3339.56	2887.84	2697.90	2.84	2.35	1.93	24.58	12.96	2385.93
70 FINANCIALS(109)	5717.73	+0.8	6634.44	5674.25	5725.30	2.78	2.51	2.13	21.09	64.08	2709.00
71 Banks, Retail(12)	8948.48	+1.2	10383.16	8845.94	8375.23	2.74	2.44	2.22	20.52	125.51	3220.61
73 Insurance(21)	2339.59	-1.2	2714.69	2366.96	2899.53	2.94	2.79	2.07	20.61	29.54	1986.20
74 Life Assurance(6)	6834.76	+1.5	7930.58	6738.05	7225.87	2.77	2.63	1.96	23.00	11.74	3086.20
77 Other Financial(31)	4348.20	+0.4	5045.33	4330.28	4631.90	2.46	2.15	2.11	24.04	11.04	2893.42
79 Property(48)	1924.92	-0.8	2233.53	1941.06	2390.75	3.29	2.85	1.88	22.61	9.19	1289.15
80 INVESTMENT TRUSTS(117)	3864.76	+0.2	4484.39	3856.92	3865.28	2.18	1.83	1.15	49.57	18.01	1428.48
89 FTSE All-Share(815)	2862.31	—	3321.22	2863.52	2731.86	2.66	2.37	1.97	23.91	17.72	2645.75
105 FTSE All-Share ex Inv Tr(698)	2872.86	—	3333.46	2874.26	2738.26	2.67	2.39	1.98	23.58	17.91	1366.41
Information Technology	1832.36	-0.3	2126.13	1837.39	1452.17	0.49	0.44	4.98	50.86	1.44	1843.51

Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6216.8	6258.2	6238.4	6244.5	6247.6	6244.8	6205.6	6193.3	6269.6	6181.2
FTSE 250	5528.0	5535.7	5534.3	5534.9	5534.1	5534.6	5527.8	5519.6	5537.3	5515.6
FTSE 350	2964.0	2981.4	2973.4	2975.8	2977.0	2975.9	2959.6	2954.0	2985.7	2950.0
FTSE SmallCap	2371.73	2373.97	2375.37	2375.99	2376.53	2376.62	2375.88	2376.07	2376.67	2369.74
FTSE All-Share	2868.08	2884.24	2876.92	2879.25	2880.35	2879.38	2864.33	2859.15	2888.22	2855.40

Time of FTSE 100 Day's high: 10:11:15 Day's low: 15:20:45. FTSE 100 1998/99 High: 6335.7 (11/03/99) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 10:11:00 Day's low: 15:20:00 FTSE All-Share 1998/99 High: 2908.30 (11/03/99) Low: 2166.07 (05/10/98)

Further information is available on http://www.ftse.com

 † Sector P/E ratios greater than 80 are not shown ‡ Values are negative.
Deletion: Adwest Automotive Plc (FTSE SmallCap).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday

[illegible]

Based on trading volume for the FTSE 100 companies and a selection of others. † Indicates a FTSE 100 constituent. Source: Financial Times Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Mar 16) 1 € = 13.76030 Sch

[illegible]

BELGIUM/LUX (Mar 16) 1 € = 40.33990 Frs

[illegible]

FINLAND (Mar 16) 1 € = 5.94573 Mks

[illegible]

FRANCE (Mar 16) 1 € = 6.55957 Frs

[illegible]

GERMANY (Mar 16) 1 € = 1.95583 Dm

[illegible]

IRELAND (Mar 16) 1 € = 0.78756 Punt

[illegible]

ITALY (Mar 16) 1 € = 1936.27000 Lire

[illegible]

NETHERLANDS (Mar 16) 1 € = 2.20371 Fls

[illegible]

PORTUGAL (Mar 16) 1 € = 200.48200 Esc

[illegible]

SPAIN (Mar 16) 1 € = 166.38600 Pts

[illegible]

EUROPE (NON-EMU)

CZECH REP (Mar 16 / Koruna)

[illegible]

DENMARK (Mar 16 / Kr)

[illegible]

GREECE (Mar 16 / Drachma)

[illegible]

NORWAY (Mar 16 / Kroner)

[illegible]

POLAND (Mar 16 / Zloty)

[illegible]

SWEDEN (Mar 16 / Kronor)

[illegible]

SWITZERLAND (Mar 16 / Frs.)

[illegible]

TURKEY (Mar 16 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Mar 16 / Yen)

[illegible]

HONG KONG (Mar 16 / H.K.$)

[illegible]

INDONESIA (Mar 16 / Rupiah)

[illegible]

MALAYSIA (Mar 16 / MYR)

[illegible]

NEW ZEALAND (Mar 16 / NZ $)

[illegible]

SINGAPORE (Mar 16 / S$)

[illegible]

AUSTRALIA (Mar 16 / Aust$)

[illegible]

SOUTH KOREA (Mar 16 / Won)

[illegible]

TAIWAN (Mar 16 / TW $)

[illegible]

THAILAND (Mar 16 / Baht)

[illegible]

AMERICAS

CANADA

TORONTO (Mar 16 / Can $) 4 pm close

[illegible]

MONTREAL (Mar 16 / Can $) 4 pm close

[illegible]

MEXICO (Mar 16 / Peso) 12.30 pm

[illegible]

AFRICA

SOUTH AFRICA (Mar 16 / Rand)

[illegible]

Prices supplied by Financial Times Information

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MARCH 15 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MARCH 12 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	216.58	0.6	197.99	161.64	227.88	227.78	1.1	3.31	215.38	195.43	162.29	226.64	225.27	219.96	163.86	214.86
Austria (21)	185.95	–0.5	169.99	138.78	172.64	172.64	–0.5	1.94	186.82	169.51	140.77	173.48	173.48	253.73	165.27	210.37
Belgium (22)	381.55	0.8	348.80	284.75	346.82	346.82	0.8	1.94	378.53	343.45	285.21	344.11	344.11	446.95	298.60	298.60
Brazil (29)	119.30	7.2	109.06	89.03	125.52	412.83	5.7	5.62	111.25	100.94	83.82	117.06	390.60	269.34	89.32	258.05
Canada (113)	205.70	0.3	188.04	153.51	216.42	227.73	0.6	1.74	205.08	186.08	154.53	215.80	226.25	248.78	159.94	239.60
Denmark (34)	406.62	–2.1	371.72	303.46	427.82	375.36	–2.2	1.87	415.29	376.81	312.91	436.99	383.67	537.33	406.82	484.92
Finland (29)	637.84	–1.7	583.09	476.02	727.21	727.21	–1.7	1.59	648.76	588.64	488.82	739.74	739.74	661.25	338.49	357.30
France (74)	322.54	0.2	294.85	240.71	303.24	303.24	0.2	1.93	322.00	292.17	242.62	302.77	302.77	354.45	253.88	275.76
Germany (55)	260.64	0.3	238.27	194.52	242.15	242.15	0.3	1.80	259.82	235.75	195.77	241.42	241.42	325.61	226.35	262.05
Greece (36)	436.67	2.9	399.19	325.89	459.44	919.29	2.9	0.94	424.35	385.03	319.74	446.52	893.49	436.67	211.47	–
Hong Kong, China (66)	315.69	0.5	288.53	235.55	332.08	314.02	0.5	3.69	314.19	285.08	236.74	330.61	312.57	362.52	196.64	344.59
Indonesia (24)	44.42	3.5	40.61	33.15	46.73	239.79	–1.0	1.21	42.90	38.93	32.33	45.14	242.13	84.52	19.04	48.46
Ireland (14)	528.15	–1.4	482.81	394.18	535.52	535.52	–1.4	1.92	535.57	485.94	403.54	543.10	543.10	605.65	396.15	503.29
Italy (53)	173.85	1.6	158.93	129.74	229.70	229.70	1.6	1.43	171.10	155.25	128.92	226.10	226.10	192.64	128.68	147.41
Japan (445)	107.52	2.4	98.29	80.24	113.12	80.24	1.4	0.92	105.02	95.29	79.13	110.50	79.13	107.52	76.83	103.46
Mexico (29)	1413.99	1.8	1292.61	1055.27	1487.72	15026.98	1.3	1.70	1398.58	1260.00	1046.34	1461.24	14827.81	1733.73	787.15	1585.42
Netherlands (26)	495.21	0.2	452.70	369.58	455.10	455.10	0.2	2.09	494.24	448.45	372.40	454.26	454.26	562.73	394.92	471.51
New Zealand (18)	64.24	0.3	58.72	47.94	67.59	64.02	0.6	4.41	64.04	58.11	48.25	67.39	63.64	77.84	45.68	77.63
Norway (37)	237.31	–1.5	216.94	177.10	249.68	251.85	–1.0	1.91	240.84	218.53	181.47	253.43	254.50	357.71	181.86	327.69
Philippines (22)	86.21	0.0	78.81	64.34	90.70	186.90	–0.4	0.97	86.25	78.26	64.99	90.76	187.63	106.96	42.48	94.78
Portugal (18)	229.88	0.0	210.14	171.56	288.22	288.22	0.0	1.14	229.84	208.54	173.13	288.20	288.20	299.39	194.13	–
Singapore (40)	218.95	2.1	200.15	163.40	230.36	173.39	1.3	1.57	214.43	194.56	161.57	225.63	171.18	246.74	102.45	225.90
South Africa (34)	204.36	–1.9	186.82	152.52	215.02	277.71	–1.2	3.43	208.30	189.00	156.95	219.19	281.16	346.20	151.55	290.80
Spain (30)	385.31	0.2	352.23	287.56	443.77	443.77	0.2	1.57	384.35	348.74	289.60	442.71	442.71	495.19	290.81	350.49
Sweden (43)	512.79	–0.8	468.77	382.70	539.53	617.85	–0.4	2.00	517.07	469.16	389.60	544.09	620.56	628.19	379.18	554.42
Switzerland (30)	397.18	–0.3	363.09	296.42	417.89	360.25	–0.2	1.19	398.35	361.44	300.15	419.17	360.81	441.65	307.73	394.76
Thailand (31)	24.36	6.7	22.27	18.18	25.63	35.32	6.6	2.55	22.84	20.72	17.21	24.03	33.12	33.84	8.15	33.84
United Kingdom (202)	393.19	–2.0	359.44	293.44	413.89	359.44	–1.2	2.65	401.08	363.91	302.20	422.03	363.91	401.84	307.96	377.85
USA (610)	539.14	0.9	492.86	402.36	587.25	539.14	0.9	1.23	534.24	484.73	402.59	562.15	534.24	539.14	390.12	436.31
Americas (781)	478.05	0.9	437.01	356.77	502.97	405.99	0.9	1.27	473.66	429.78	356.88	498.40	402.24	478.05	347.59	395.99
Europe (724)	356.29	–0.6	325.70	285.80	374.86	338.77	–0.3	2.01	358.33	325.13	270.00	377.06	339.76	386.24	282.63	335.32
Eurobloc (342)	101.44	0.3	92.73	75.70	102.00	102.00	0.3	1.75	101.09	91.72	76.17	101.66	101.68	113.92	81.53	–
Nordic (143)	493.01	–1.3	450.69	367.93	518.71	514.20	–1.1	1.86	499.46	453.18	376.33	525.56	519.82	555.97	380.04	481.87
Pacific Basin (721)	115.21	2.0	105.32	85.99	121.22	88.80	1.3	1.40	112.91	102.45	85.08	118.81	87.67	115.21	82.88	113.74
Euro-Pacific (1445)	215.27	0.2	196.79	160.66	226.49	182.64	0.2	1.83	214.83	194.92	161.87	226.06	182.32	221.79	166.00	206.14
North America (723)	516.42	0.9	472.09	385.41	543.35	517.60	0.9	1.25	511.83	464.40	385.85	538.57	512.93	516.42	374.92	423.88
Europe Ex. UK (522)	326.65	0.2	298.61	243.78	343.69	318.68	0.2	1.67	326.10	295.88	245.71	343.14	318.02	365.32	260.83	304.25
Europe Ex. Eurobloc (382)	98.86	–1.5	90.37	73.78	104.01	100.77	–0.9	2.27	100.35	91.05	75.61	105.59	101.70	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	96.04	–0.4	87.80	71.68	101.05	96.46	–0.2	1.43	96.42	87.49	72.65	101.46	96.67	109.21	75.16	–
Pacific Ex. Japan (276)	191.19	0.7	174.77	142.68	201.15	185.58	0.9	3.30	189.82	172.23	143.02	199.74	193.89	216.04	128.26	207.43
World Ex. Eurobloc (1918)	110.56	0.6	101.07	82.51	116.39	109.83	0.6	1.48	109.85	99.67	82.77	115.59	109.13	110.56	83.09	–
World Ex. US (1650)	214.70	0.2	196.27	160.23	225.90	187.86	0.2	1.85	214.19	194.34	161.39	225.38	187.45	221.91	165.95	209.93
World Ex. UK (2058)	312.13	0.9	285.33	232.94	328.40	282.42	0.8	1.39	309.31	280.65	233.05	325.48	250.14	312.13	236.11	273.85
World Ex. Japan (1815)	424.55	0.4	388.11	316.84	446.69	419.76	0.5	1.59	422.85	383.67	318.61	444.95	417.65	427.99	320.58	372.14
The World Index (2260)	319.13	0.6	291.74	238.17	335.77	289.54	0.6	1.52	317.21	287.82	239.01	333.79	287.82	319.13	242.36	282.64

Emerging markets:

IFC investable indices

Dollar terms

Mar 15 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	804.79	+1.4	+0.9
Brazil	249.47	+6.1	–9.3
Chile	496.98	+0.2	+10.1
Colombia[1]	357.85	+0.3	–16.3
Mexico	589.62	+1.9	+22.4
Peru[2]	140.01	+0.7	+4.2
Venezuela[3]	357.45	–0.9	–21.2
East Asia			
China[4]	23.63	+0.1	–9.7
India[7]	79.17	+2.2	+23.3
Indonesia[4]	20.97	+4.1	–13.4
Korea[5]	53.19	+0.5	+0.3
Malaysia	79.56	–1.9	–10.7
Pakistan[8]	108.45	+0.3	+12.6
Philippines	118.89	+0.1	–3.4
Sri Lanka[10]	65.46	–0.8	–20.5
Taiwan, China[6]	120.74	+2.5	+4.3
Thailand	62.12	+4.4	–1.7
Europe			
Czech Rep	41.92	–0.4	–17.4
Greece	761.29	+2.5	+26.2
Hungary[11]	259.02	–0.1	–7.7
Poland[12]	501.04	–0.4	–4.3
Portugal	261.72	–0.3	–10.4
Russia	38.19	+1.7	+62.9
Slovakia	35.21	+0.3	–19.2
Turkey[14]	203.27	–1.8	+38.9
Mideast/Africa			
Egypt	72.43	–0.9	+12.4
Israel	118.72	+1.0	+16.1
Jordan	233.59	–0.7	+7.9
Morocco	157.32	+1.7	–6.1
S Africa[13]	142.74	–1.5	+14.0
Zimbabwe[15]	117.82	+0.2	+11.7
Regions			
Composite	199.79	+1.2	+7.0
Latin America	441.07	+2.5	+5.1
Asia	108.48	+1.6	+1.4
EMEA	129.03	–0.0	+12.9
Europe	169.52	+0.7	+13.2
Eastn Europe	61.07	+0.3	+5.1
ME & Africa	60.38	–0.9	+12.6
Comp + Malay	200.52	+1.1	+5.8
Asia + Malay	107.04	+0.9	–1.0

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1988; (15)Aug 2 1995; (16) July 2 1993.

Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close March 16

- X - Y - Z -

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Price	Chng Prev Close
60	33¼	Xerox x	0.80	1.5	21	16186	55⅞	53¼	53⅝	+⅛
40⅞	59¼	XI Cap♣	1.76	2.9	9	1112	61¼	59⅜	59⅜	-1⅝
60⅛	37½	Xtra Corp			10	94	39¼	39⅛	39⅛	-⅛
31⅛	22½	Yankee Egy x	1.38	5.8	21	59	24⅛	23⅝	23⅝	-⅛
52¼	27½	York Intl	0.48	1.4	10	3299	35½	34⅛	34⅝	-½
24⅛	6⅝	Zapata			3	507	8⅜	8⅛	8⅛	+⅛
50	31	Zeneca	0.80	2.0	32	2439	40⅞	40¼	40⅝	+⅛
30½	20⅞	Zenith Nat	1.00	4.0	19	74	25⅛	25⅛	25⅛	-⅛
6⅛	5⅛	Zenix Inc	0.67	11.2		93	6⅛	6	6	-⅛
16⅛	8⅞	ZweigFd♣	1.08	10.3		541	10⅞	10⅛	10½	
9⅜	8⅛	Zweig Tot x	0.84	10.0		858	8⅛	8⅛	8⅛	

Price data supplied by Financial Times Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. Vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9958.77	9876.35	9897.44	9958.77 (15/3/99)	7539.07 (31/8/98)	9958.77 (15/3/99)	41.22 (8/7/32)
Home Bonds	104.65	104.42	104.25	107.17 (9/12/98)	104.13 (25/2/99)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3404.86	3267.51	3257.65	3686.02 (16/4/98)	2345.00 (9/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	301.96	304.51	301.57	320.51 (8/10/98)	262.66 (9/1/98)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 10027.59(10042.58) Low 9807.53 (9779.78) (Theoretical♣)
Day's high 9970.15(9958.77) Low 9862.48 (9851.92) (Actual♣)

Standard and Poors	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1307.26	1294.59	1297.68	1307.26 (15/3/99)	927.69 (9/1/98)	1307.26 (15/3/99)	4.40 (1/6/32)
Industrials♥	1564.00	1549.16	1553.38	1564.00 (15/3/99)	1077.40 (9/1/98)	1564.00 (15/3/99)	3.52 (30/6/32)
Financial♥	145.47	143.77	144.37	147.88 (14/7/98)	95.80 (8/10/98)	147.88 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	615.22	611.54	611.67	615.22 (15/3/99)	477.20 (8/10/98)	615.22 (15/3/99)	4.64 (25/4/42)
Amex Comp	720.91	721.21	721.65	763.87 (22/4/98)	563.75 (8/10/98)	763.87 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	2431.44	2381.53	2412.25	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	400.84	398.38	401.08	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.38 (7/12/93)

■ RATIOS

	Mar 12	Mar 5	Feb 26	Year ago
Dow Jones Ind. Div. Yield	1.60	1.59	1.67	1.63
	Mar 10	Mar 3	Feb 24	Year ago
S & P Ind. Div. yield	1.12	1.17	1.14	1.36
S & P Ind. P/E ratio	40.71	38.32	38.67	29.28

US DATA

■ MARKET ACTIVITY

● Volume (million)	Mar 15	Mar 12	Mar 11
NYSE	727.270	825.860	909.830
Amex	23.912	27.616	32.818
NASDAQ	854.843	922.097	1039.56

NYSE	Mar 15	Mar 12	Mar 11
Issues Traded	3,655	3,549	3,590
Rises	1,529	1,393	1,739
Falls	1,443	1,537	1,265
Unchanged	583	619	547
New Highs	63	61	86
New Lows	78	85	81

■ NYSE TRADING ACTIVITY — Volume : 727,270,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
RiteAid	20,474,900	24	+2¼
Compaq	13,561,500	31¼	+1
AmOnLine	10,843,500	107	+5¾
Biogen	8,521,000	47	+
PhMorr	8,343,300	38	−½
AT&T	8,247,000	82	+¾
Citigrp	6,028,500	65	−
GenElec	5,947,600	110¾	+2
MicrnTech	5,806,100	49	−1¾
Disney	5,468,200	35	−¼

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Hughes Sup	21¼	+3	+18.5
Marshall	15¾	+1	+14.2
Pionft	38¾	+4	+11.8
SciAtl	30	+2¾	+10.6
Downs			
MedicisPh	28¾	−4½	−13.8
MonHm	11	−1	−13.3
Twin Cent	17¾	−1½	−7.9
Cnrgy	14	−1¼	−7.9

■ NASDAQ TRADING ACTIVITY — Volume :854,843,000

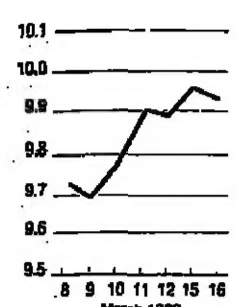
■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Oracle	30,082,500	30	+1
ChancMed	28,876,800	45	+1
DellCmp	22,882,000	43¾	+1
Micsft	15,093,700	165¾	+5
Intel	11,091,000	117¾	−¾
MCIWcm	9,193,500	87¾	+1
Ciena Cp	8,970,900	24¾	−2
CiscoSys	8,394,300	105	+1¾
CMG Info	6,748,100	192¾	+28¾
EricsnB	5,956,300	24	−

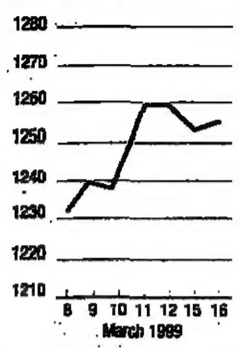
■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Realntwks	121¼	+26¼	+27.5
MetamorWw	16	+2	+19.9
CMG Info	192¾	+28¾	+17.5
Global Cro	56	+7	+14.8
Downs			
Mastech	14¾	−2	−12.8
SawSysADR	12	−1¾	−11.9
Skytel Com	19	−1¾	−8.4
Ciena Cp	24¾	−2	−7.7

Dow Jones
'000



FTSE Eurotop 300



JAPAN

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GERMANY

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FRANCE

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UK

[illegible]

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1307.50	1306.30	-0.20	1312.00	1302.00	44,262	44,262
Jun	1318.70	1319.00	-0.20	1325.00	1315.00	110,664	288,902
■ Nikkei 225							
Jun	15590.0	15880.0	+110.0	15970.0	15490.0	38,513	190,631
Sep	15620.0	15800.0	+180.0	15800.0	15530.0	68	3,436

Open interest figures for previous day

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	4205.0	4195.0	−2.0	4229.0	4175.0	48,193	134,364
Apr	4213.5	4197.5	−1.5	4230.0	4188.5	2,705	4,623
■ DAX							
Mar	5035.0	5090.0	+43.0	5125.5	5025.5	64,239	227,351
Jun	5068.0	5121.0	+43.0	5155.0	5058.0	25,952	180,767

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	723.00	719.50	+1.50	725.00	719.25	13,517	116,102
Apr	722.50	719.00	+3.00	724.75	718.75	4,241	7,824
■ EUREX							
Mar	7295.0	7217.0	−30.0	7301.0	7183.0	35,610	118,651
Jun	7235.0	7167.0	−26.0	7250.0	7136.0	22,587	45,570

WORLD MARKETS AT A GLANCE

Country	Index	Mar 16	Mar 15	Mar 12	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	17456.52	17537.93	17288.42	23485.50 23/3/98	12308.10 10/9/98	3.9	14
♣Reversed Monday's gains in early trading after Dow Jones fell back below 10,000 watershed.								
Australia	All Ordinaries	2992.2	2989.5	2961.3	2992.20 16/3/99	2458.20 1/9/98	2.82	24
	All Mining	583.9	592.0	589.3	713.10 23/4/98	489.80 31/8/98		
Support for general industrials edged All Ords to new high while resources fell with AS and falls beat rises by 5 to 4.								
Austria	ATX Index	1213.35	1202.24	1209.87	1628.56 26/5/98	982.06 1/10/98	1.95	13
Closed higher, boosted by strong performances in other markets and sustained demand for VA Stahl and Bank Austria.								
Belgium	BEL20	3348.24	3343.80	3319.57	3681.92 6/1/99	2357.78 10/1/98	1.55	23.1
Closed virtually flat as losses in utility holding Tractebel, down 2.3 per cent, weighed on market.								
Brazil	Bovespa	10697.0	10414.0	9574.0	12298.00 15/4/98	4761.08 10/9/98	na	na
♣Surged healthily in early trading on upbeat sentiment about Brazil's economy.								
Canada	TSE 100♦	403.65	402.56	399.77	475.83 25/5/98	324.91 5/10/98	1.67	18.8
	Metals Mins♦	3201.78	3119.38	3043.17	4380.61 10/3/98	2580.10 31/8/98		
	TSE300Comp♦	6622.00	6606.00	6582.06	7822.30 22/4/98	5335.78 5/10/98		
	Portfolio§§	3529.80	3519.59	3483.18	3965.81 25/5/98	2719.24 5/10/98		
♣Moved sideways at midsession as slumping bullion values offset stronger base-metal stocks.								
Chile	IGPA Gen♥	3994.17	3980.54	3976.64	4861.95 17/3/98	2980.85 14/9/98	3.12	13.1
♣Traded modestly higher at midsession despite weakness in leading telecom operator Entel.								
China	Shanghai B	22.40	22.89	23.34	69.56 10/2/98	21.39 9/3/99	1.53	27.6
	Shenzhen B	46.27	46.65	46.96	98.97 10/2/98	41.56 10/3/99		
Last week's gains proved short-lived as hard-currency shares added to Monday's losses in concern over corporate results.								
Colombia	IBB	916.46	919.14	916.92	1431.46 7/1/98	778.17 14/10/98	na	na
Czech Republic	PX 50	376.7	358.7	371.6	517.30 23/3/98	316.00 8/10/98	na	na
Put end to two-day bout of profit-taking, with healthy foreign demand in large-cap leader SPT boosting market.								
Denmark	CopenhagenSE	585.51	570.92	578.11	778.84 7/4/98	585.51 16/3/99	1.78	17.5
Followed early Wall Street lead to close higher. Index leader Tele Danmark ended 2.1 per cent ahead.								
Egypt	Cairo SE Gen	445.31	448.13	(c)	447.92 1/2/99	345.40 2/2/98	na	na
Softened slightly despite rise in heavyweight MobiNil.								
Finland	Hex General	6318.85	6283.59	6387.66	6418.38 11/3/99	3220.43 12/1/98	1.64	24
Closed higher, helped by rise in Nokia and Dow Jones but ended off highs after Wall Street paused.								
France	SBF 250	2848.52	2845.49	2842.80	2799.73 17/7/98	1873.10 12/1/98	2.17	21.4
	CAC 40	4185.35	4185.12	4175.03	4388.48 17/7/98	2882.54 12/1/98		
Ended little changed amid heavy volume on barrage of company news. Chemical and bank stocks outperformed.								
Germany	FAZ Aktien	1628.29	1599.58	1611.09	1948.80 20/7/98	1250.50 2/10/98	1.4	19.6
	DAX‡	5094.63	5029.24	5008.16	6171.43 20/7/98	3896.08 8/10/98		
Continued to benefit from effect of finance minister's resignation but ended off highs after Wall Street retreated.								
Greece	Athens General	3588.09	3625.20	3537.80	3625.20 15/3/99	1380.13 29/1/98	1.35	29.5
	FTSE/ASE 20	2246.84	2255.21	2187.38	2255.21 15/3/99	785.18 29/1/98		
Turned south as investors opted for profit-taking. Banks remained focus of interest.								
Hong Kong	Hang Seng	10811.25	10838.86	10801.76	11810.60 25/3/98	6660.42 13/8/98	3.29	15.6
	HSCC Red Chip	780.69	752.90	742.24	1775.09 27/2/98	576.07 1/9/98		
Gains in properties and select industrials lifted Hang Seng while falls matched rises.								
Hungary	Bux	5784.72	5819.67	5818.57	8016.38 23/4/98	3775.02 21/9/98	na	na
Uncertainty about state of economy and near-term performance of market drove foreign investors away.								
India	BSE Sens.	3744.16	3783.71	3702.81	4280.96 21/4/98	2764.16 20/10/98	na	na
	S & P CNX 500	736.74	746.99	742.91	815.62 21/4/98	557.68 20/10/98		
Ended lower as investors squared books to cash in on large Monday gains.								
Indonesia	Jakarta Comp.	379.45	372.31	375.94	554.18 2/2/98	256.83 21/9/98	9.29	23.8
Telkom and Gudang Garam led market higher after Indonesia signed letter of intent with IMF, a prerequisite for new loans.								
Ireland	ISEQ Overall	5297.16	5331.98	5404.30	5471.61 21/4/98	3749.11 8/10/98	1.99	19.7
Israel	Tel Aviv 100	339.24	339.24	(c)	339.24 15/3/99	249.19 8/10/98	na	na
Italy	BCI Comit 30	368.06	370.69	364.79	388.60 20/7/98	248.61 9/10/98	1.96	25.9
	Banca Com Ital	1572.7	1559.32	1570.43	1654.36 7/4/98	1063.58 9/10/98		
	Mibtel General	24945.0	25074.0	24713.0	26377.00 6/4/98	16781.88 9/10/98		
Finished lacklustre day lower after Wall Street retreated in late trading. Banks in focus amid renewed M&A speculation.								
Japan	Nikkei 225	16072.82	15779.80	15488.86	17264.30 2/3/98	12880.00 9/10/98	0.87	57.2
	Nikkei 300	249.33	244.01	240.39	257.43 10/2/98	192.30 9/10/98		
	Topix	1240.89	1211.16	1195.61	1300.30 10/2/98	980.11 15/10/98		
	2nd Section	1451.78	1427.47	1413.22	1451.78 16/3/99	1020.84 13/10/98		
Broadly higher on heavy volumes with a rebounding yen amid growing hopes of economic recovery.								
Jordan	Amman SE	182.89	182.16	(c)	185.25 8/3/99	158.48 18/11/98	na	na
Closed modestly higher with losers outnumbering risers 15 to 14 amid quiet institutional trading.								
Malaysia	KLSE Comp.	511.90	518.45	528.78	745.36 27/2/98	262.70 1/9/98	2.72	15
Lower across the boards on thin volumes as fears over economic outlook kept investors away.								
Mexico	IPC	4861.11	4769.90	4697.73	5294.00 2/1/98	2658.18 10/9/98	1.12	16.2
♣Sharply higher as investors followed early lead from Wall Street and firming Brazilian market.								
Morocco	CASA	794.10	790.35	781.78	883.99 1/9/98	666.57 21/1/98	na	na
Strength in blue-chip shares sent market higher for second day. BCM Bank moved 1 per cent ahead.								
Netherlands	CBS TtlRtnGen	1330.1	1320.0	1317.4	1493.00 20/7/98	974.99 8/10/98	2.13	35.8
	CBS All Shr	740.2	734.8	733.1	846.98 27/7/98	548.19 8/10/98		
Breached resistance to close at highest level since mid-January, ahead of Friday's option expiry.								
New Zealand	Cap. 40	2182.32	2186.76	2155.54	2350.02 20/3/98	1668.24 2/10/98	5.06	21.8
Most leaders made gains, except Telecom, which is under pressure from imminent payment on instalment receipts.								
Nigeria	SE All-Share	(u)	5418.34	5412.15	6384.87 11/2/98	2208.49 12/1/98	na	na
Losses in brewer Guinness sent market lower at end of quiet day.								
Norway	Oslo SE Ind	1820.41	1827.03	1843.89†	2378.66 4/5/98	1359.79 8/10/98	2.39	12
Ended modestly lower despite small gains in oil stocks.								
Pakistan	KSE-100	1058.47	1068.98	1062.00	1746.31 2/1/98	765.73 14/7/98	na	na
Hub Power fell 4.7 per cent amid nervousness over lack of news on tariff dispute with government.								
Peru	Lima Gen	1452.82	1454.96	1462.70	1903.91 4/5/98	1159.60 21/8/98	na	na
Philippines	Manila Comp	1981.84	1941.34	1945.30	2311.42 25/3/98	1082.18 11/9/98	1.37	14.1
Lifted with a firmer peso after January trade data revealed signs of economic recovery. Ayala Land rose 4.4 per cent.								
Poland	Wig	13807.0	14014.8	14015.5	18582.70 11/3/98	10473.70 9/10/98	2.08	11.7
Worries about Poland's falling industrial output and large budget deficit sent market lower after three-day rise.								
Portugal	BVL 30	4566.41	4616.42	4622.07	6176.80 22/4/98	3590.08 2/10/98	2.2	25.2
	PSI 20	10527.79	10641.45	10652.37	14283.00 22/4/98	8114.51 2/10/98		
Selling in telecom stocks sent market lower. Portugal Telecom fell 1.35 per cent.								
Russia	RTS	86.62	83.83	82.98	411.61 5/1/98	38.53 5/10/98	na	na
Positive political developments and strength in oil stocks sent market to fresh 1999 high.								
Singapore	SES All-S'pore	397.81	399.43	397.10	437.98 19/3/98	253.20 4/9/98	2.12	20.9
	Straits Times	1489.54	1494.19	1485.74	1658.76 19/3/98	805.04 4/9/98		
Broadly lower on thinner volumes. Falls beat rises more than 5 to 2.								
Slovakia	Sax	81.57	81.83	81.55	182.48 5/1/98	81.40 3/3/99	na	na
South Africa	JSE All Share	6505.6♥	6409.8	6440.1	8558.70 20/4/98	4894.40 11/9/98		
	JSE Gold	936.1♥	988.9	1002.5	1310.60 8/10/98	672.60 18/3/98		
	JSE Ind.	7651.3♥	7477.4	7502.8	8942.70 20/4/98	5246.80 11/9/98		
Foreign demand for blue chips De Beers and AngloAmerican sent market higher in healthy turnover of more than R3bn.								
South Korea	KoreaCompEx**	601.83	592.02	590.80	640.95 11/1/99	280.00 16/6/98	1	25.3
Late foreign demand for bank sector – up 6.7 per cent – drove market sharply higher.								
Spain	Madrid SE	904.79	898.31	896.76	947.82 17/7/98	642.29 5/10/98	1.89	22.1
Merger talk fuelled demand on hopes that other banks would ultimately make a move after the Santander-BCH deal.								
Sri Lanka	CSE All Share	529.94	529.95	533.05	789.70 4/5/98	481.00 3/9/98	na	na
Flat in subdued trade, with foreigners net sellers.								
Sweden	AffaersvardnGen	3431.4	3409.9	3419.9	3555.60 20/7/98	2411.70 8/10/98	1.85	20.4
Astra higher after company claimed significant progress in winning US competition authority approval for Zeneca merger.								
Switzerland	SMI Index	7218.9	7240.9	7250.7	8412.00 21/7/98	5126.50 5/10/98	1.36	23.8
	SPI General	4571.79	4581.31	4588.18	5237.39 20/7/98	3311.28 5/10/98		
Results and forecasts from Novartis, CS Group and Sulzer failed to stimulate market overall.								
Taiwan	WeightedPr.**	6572.23	6598.32	6462.73	9277.09 2/3/98	5474.79 5/2/99	1.52	20.5
Keen foreign demand drove shares higher as turnover swelled to a heavy T$142bn. Electronics outpaced, financials eased.								
Thailand	Bangkok SET	354.95	360.86	345.79	558.92 3/3/98	207.31 4/9/98	0.83	7.8
Eased back on busy trade after Monday's sharp gains. Banks lost 3.1 per cent and financials fell 3.9 percent.								
Turkey	IMKB Nat 100	3909.05	4047.21	4124.11	4650.88 16/7/98	1852.28 8/10/98	3.02	17.4
Shares lower as parliament discussed censure motion that has clouded run-up to next month's elections.								
Venezuela	IBC	4001.85	3961.74	4023.04	7855.82 23/3/98	2894.79 10/9/98	na	na
♣Traded higher despite pause in rise in oil prices.								
Zimbabwe	ZSE Industrial	(u)	8440.83	8453.06	8785.71 31/3/98	5441.86 1/9/98	na	na
Bargain-hunting in large-company stocks sent market higher.								
WORLD	FT/S&P World(§)	(u)	318.13	317.21	318.13 15/3/99	242.36 5/10/98	na	na
	MS Capital Int§	1197.5*	1194.8	1187.1	1197.50 16/3/99	889.50 12/1/98	na	na
CROSS-BORDER	DJ Stoxx 50	3580.77	3565.22	3577.81	3670.82 20/7/98	2433.07 8/10/98		
	DJ Euro Stx 50	3606.67	3582.78	3574.73	3685.36 6/1/99	2419.23 8/10/98		
	FTSE E300	(u)	1252.01	1259.68	1327.98 20/7/98	889.55 5/10/98		
	FTSE E100	(u)	2896.46	2911.64	3089.91 20/7/98	2049.91 8/10/98	na	na
	HSBC Drgn	(u)	232.35	230.69	273.91 25/3/98	161.71 5/10/98	na	na
	ING Bergs Emrg	(u)	120.52	120.24	123.12 7/1/99	88.64 11/9/98	na	na

** Sat Mar 13: Taiwan Weighted Price (c) §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Mar 16 - 5080.85 −47.78. † Correction * Calculated at 15.00 GMT ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation. ✣ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Midsession.

THE NASDAQ-AMEX MARKET GROUP

4 pm close March 16

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX

4 pm close March 16

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

[illegible]

STOCK MARKETS

Dow's brief but important breakthrough

The foray above the 10,000 mark could mark an historic turning point in US investor attitudes, writes **Philip Coggan**

The Dow's venture above 10,000 yesterday may have been brief, but it could yet turn out to be a historical moment.

Ten thousand is, of course, merely a round number, but the psychological importance of the figure might prompt a change in investor *attitudes, either by drawing* in new buyers or by persuading existing holders to take profits.

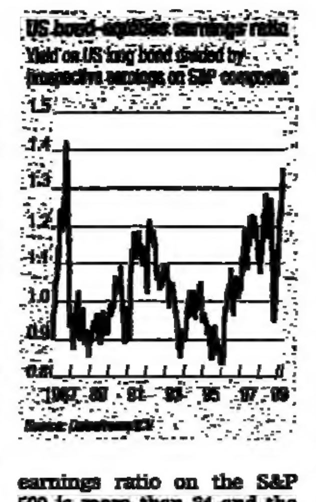
Although the Dow covers only 30 stocks, its performance is fairly representative of the US market on this occasion. Both the S&P 500 index and the Nasdaq Composite have also been hitting new highs. All three benchmarks have been driven ahead in recent weeks by the remarkable performance of the US economy, which has continued to grow at a rapid rate without showing any signs of inflation.

That has reassured those investors who were worried last autumn that the economic crisis in emerging markets would drag the world and the US down into recession and severely damage corporate profits in 1999.

But recent weeks have seen US corporate earning estimates edge higher with I/B/E/S International, the information company, saying that "bottom-up" forecasts for growth this year are 17.6 per cent.

Although that forecast may be optimistic, "top-down" strategists, who watch the economy, still expect 5 per cent growth.

At the same time, the US corporate sector has been *fuelling the fire by returning* cash to investors via takeovers and share buy-backs. The net supply of equity in the US market fell by $158bn in the four quarters to the end of September.



Share prices have thus been squeezed higher with little attention paid to valuation levels. The price-earnings ratio on the S&P 500 is more than 34 and the dividend yield 1.28 per cent, respectively a record high and low.

Of course, the US market has looked expensive on such measures for several years. But the key difference between then and now was that bond yields were steadily falling. Since October, the yield on the 30-year Treasury issue has edged up from 4.7 per cent and, even after a rally in the last couple of weeks, it now stands at around 5.5 per cent.

That makes shares look expensive relative to bonds – by as much as 28 per cent, according to I/B/E/S. Joe Rooney, global strategist at Lehman Brothers, said: "The Dow needs a lot more support from the bond market if it is to stay above 10,000. The 10-year bond yield [currently above 5 per cent] needs to be around 4.5 per cent".

Could 10,000 be the top? The main threats to the market are likely to be:

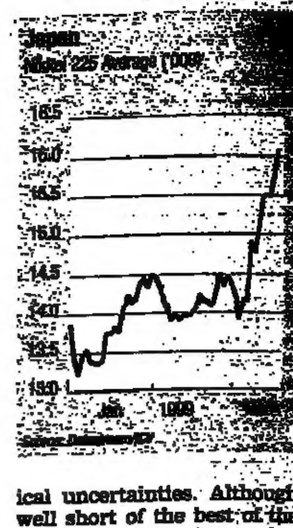
- a revival in inflation, driving bond yields higher and forcing the Federal Reserve to push up interest rates;
- a dive into deflation, with the US economy suddenly slowing down and corporate profits tumbling;
- some crisis of confidence among US private investors causing them to pull their money out of mutual funds.

The problem for the bears is that some commentators have been regularly predicting one or other of these perils for much of the second half of the 1990s. But none of those disasters have come to pass and most investors seem to have decided to stop worrying, and keep buying.

Global bulls seize moment

WORLD OVERVIEW

Share markets stuck to a bullish script yesterday, notching up another day of steady gains as Wall Street broke briefly above the 10,000 level in early trading, *writes Jeffrey Brown.*



Asia took its cue from Tokyo, where the rally, sparked by the onset of the March financial year-end, rolled into its 10th day, lifting the Nikkei 225 Average almost 2 per cent to its best level for more than seven months.

Japanese equities traditionally push ahead at this time of the year, but the latest rally looks to be coinciding with a reappraisal of value in a market that has been in steady decline for the most the past decade.

A number of brokers claim tentatively to have spotted a turning point. Although it feels growth expectations may prove short-lived, Merrill Lynch recently pointed to "surprising" data, notably a steep decline for bankruptcies and the way stocks relative to shipments had fallen over six months.

Testifying to the steady foreign buying that has helped lift Tokyo, the yen has this month climbed back from a low of Y123.5 against the dollar to around Y118.

It may yet fizzle out as a short-lived seasonal bounce, but the benchmark Nikkei has now advanced 15.4 per cent since March 2.

Europe brushed aside its interest rate, currency and – since the mass resignation of the European Commission's 20-member executive – political uncertainties. Although well short of the best of the session at the close, Frankfurt managed to added almost 1 per cent.

The euro remained weak against the dollar as foreign exchange traders hedged their bets ahead of tomorrow's council meeting of the European Central Bank.

However, most observers felt it was too soon after the departure of Oskar Lafontaine, the former German finance minister, for the ECB to flex its muscles with an interest rate cut.

Irrespective of the strength of US equities, there were indications yesterday that some uncertainty was creeping into European trading. As well as the ECB meeting, tomorrow takes in the latest German IFO business survey.

This has been levelling out of late after a steep decline through most of last year. But worries about tax reform and slowing profits are still firmly on the German agenda.

Wall Street shies away from 10,000

AMERICAS

The blue-chip Dow Jones Industrial Average crossed the 10,000-point barrier for the first time in early trade, but quickly pulled back, even though many high-tech shares remained strong, *writes John Labate in New York.*

After Monday's 82-point rise in the Dow, the blue-chip index stood within 42 points of 10,000. But by early afternoon yesterday, the Dow was down 9.71 to 9,949.06 while the broader Standard & Poor's 500 index was off by less than one point to 1,306.62.

The recent comeback in technology stocks sent the Nasdaq composite index up 10.54 at 2,441.98, but that was also well off the best levels of the morning. The small-company sector had also pulled back, sending the Russell 2000 index down 0.99 to 399.85.

"The sentiment's a little negative right now, but I wouldn't be surprised to see the market push higher in the next couple of days," said Warren Epstein, director of trading at Richard Rosenblatt & Co.

With fears of an interest rate rise largely tabled for the moment, and the latest economic data confirming the continuing mix of strong economic growth and low inflation, Wall Street analysts can find little reason to stand in the market's way.

Long-term interest rates have risen in past months, but remain well off their worst levels. A morning rally in the long bond sent the yield to 5.476 in midday trading. Strong economic growth should mean strong earnings growth as well.

But there are forthcoming events that could change the mood, including fears of a further slowdown in overseas markets and worries in advance of the quarterly reporting season.

Internet stocks were mixed, but many managed strong gains, including Cyberian Outpost, up 28 per cent or $5¼ to $23⅞ after the company announced plans to launch an online auction site in addition to its core retailing operations. Amazon.com fell on profit-taking, down $3⅞ to $135¼.

Brokerage stocks pushed higher, after Morgan Stanley Dean Witter revised its views of many, including Charles Schwab. Morgan raised its 1999 earnings view of Charles Schwab, the leading online broker, one day after the company said it would exceed earnings expectations in its upcoming report. Schwab climbed $1¼ to $89⅞.

TORONTO gained ground in early trading with a strong upturn for metals overriding weak golds.

In metals, Inco jumped C$1.15 to C$22.05 and Cominco rose C$1.20 to C$21.90. Alcan Aluminium shared in the enthusiasm, adding 80 cents at C$38.10.

In contrast, golds fell foul of a softer bullion price and leading producers moved steadily lower. Barrick fell 95 cents to C$26.75 and Placer Dome came off 45 cents at C$17.45.

Banks were mixed. Royal Bank of Canada gave up 25 cents at C$73.50 but Canadian Imperial jumped C$1.65 to C$39.90.

São Paulo spurred higher by firmer Real

SAO PAULO extended Monday's sharp gains in morning trade, climbing another 2.5 per cent by midsession on optimism that Latin America's largest economy had turned a corner in its currency crisis.

In early afternoon trade yesterday, the index was another 258 higher at 10,672.

Analysts noted that equities were being spurred higher by a calm foreign exchange market, where the Real firmed slightly against the dollar, and the possibility of an increase in Brazil's financial credibility to foreign investors.

On Monday, the Bovespa index had surged 8.8 per cent and closed at its best level for more than seven months.

MEXICO CITY gained ground in early trade, caught up in the initial momentum generated by the Dow and following advances in Brazil. By midsession, the IPC index was 96.89 or 2 per cent higher at 4,866.79.

Paris seeks right chemical mix

EUROPE

Weak telecoms in **PARIS** offset the impact of the Dow Jones Industrial Average's jaunt above 10,000. The CAC-40 settled 1.23 higher to 4,186.35 in heavy volume of 21.7m shares following a barrage of company news.

The chemical sector was buoyant, helped by Rhodia's counterbid for Albright & Wilson, the British chemical company being bid for by Albemarle of the US. Rhodia shot up 99 cents or 8.3 per cent to €12.99.

Rhône-Poulenc delivered the sharpest gain in the CAC-40, adding €2.70 or 6.6 per cent to €43.70 after Hoechst of Germany said its planned merger with the French chemical group could take place sooner than expected. Shares were further boosted by a statement from rival Novartis dispelling rumours it would launch a counter-bid for Hoechst.

The FTSE Eurotop 300 index rose 3.24 or 0.26 per cent to 1,255.25. See Euro Prices page.

Banks woke up from their Monday torpor, revived by unconfirmed reports that Deutsche Bank would support BNP's bid for Société Générale and Paribas with a view to taking a stake in the combined entity.

BNP ended €2 higher to €80, while SocGen added €7 to €171. Paribas rose 80 cents to €100.90. The market closed before a key meeting of the CMF, the French markets regulator, marking the first step in the lengthy approval process of the bid.

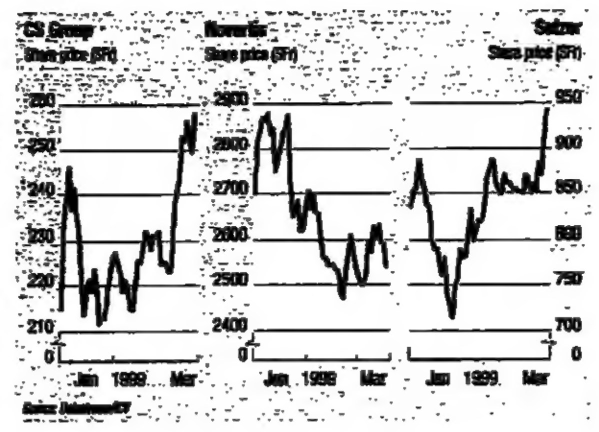
Michelin closed €2.04 or 4.9 per cent higher to €43.48 following declining – but in-line – 1998 profits and an ambitious 1999 outlook.

There was weakness in telecom-related stocks ahead of France Telecom's results today. Shares in the market heavyweight ended €1.40 softer to €77.60 while Alcatel shed €4.60 or 3.9 per cent to €115.

FRANKFURT ended below the best of the day with the Xetra Dax index up 47.70 at 5,090.93 after touching 5,124.00 in early trading.

Deutsche Bank rose to €53 before closing up 94 cents at €52.51 ahead of tomorrow's results statement. It was boosted by a press report that the bank was set to step into France's banking takeover tussle, possibly taking a stake in any enlarged BNP-Paribas-SocGen entity.

Deutsche Telecom improved 75 cents to €39.60 after the telecoms leader issued an upbeat trading statement, claiming to have halted the slide in its market share with the exception of international calls.



Steel leader Thyssen stayed in demand following Monday's upgrade by Deutsche Bank. The shares gained €4 to €183.50 for a two-day day advance of 9 per cent.

AMSTERDAM rose 5.59 to 540.64 on the AEX index helped by a 3.8 per cent improvement for electronics giant Philips, which powered ahead €2.55 to €70.15.

Akzo-Nobel added 85 cents to €34.15 and the buyers returned to Heineken, sending the brewer up €1.50 to €46.55. KPN was a weak feature ahead of today's results statement from the telecoms leader, sliding 95 cents to €40.45.

Employment agency Vedior rose 55 cents to €20.55 on solid results and an upbeat forecast for the current year.

ZURICH was easier as results and positive corporate forecasts by Novartis, CS Group and Sulzer failed to spur the market. The SMI index finished 22.0 weaker at 7,218.9.

News of the resignation of Fritz Fahrni, the Sulzer chief executive, sent the stock surging 7 per cent in the first few minutes of trading, but the sharp advance soon ran out of steam. After touching a high of SFr983, the stock fell back to close SFr29 higher on the day at SFr944.

The diverse engineering group said Mr Fahrni was resigning because he had been unable to reach goals set over the past three years.

Novartis, initially stronger on results that were in line with expectations, finished SFr49 lower at SFr2,534. Roche certificates lost SFr125 to SFr17,925.

CS Group, whose net profit of SFr3.1bn was higher than expectations, picked up SFr9.50 to SFr259. UBS was unchanged at SFr479.

MILAN kept the banking sector in focus on a day when the market picked up around midsession before turning back later. The real-time Mibtel index finished 129 lower at 24,945.

Banca di Roma edged 1 per cent lower to €1.43 after its managing director told an analysts' meeting that talks with BCI were continuing and he expected to take a decision on any merger by summer. BCI lost 1.5 per cent €6.44.

INA finished 1.3 per cent higher at €2.66, off a high of €2.75, after Switzerland's CS Group said it was not interested in a takeover of the Italian company.

MADRID advanced 0.7 per cent, helped by bank stocks. The general index was 6.48 ahead to 904.79.

Financials got a boost from the buoyant M&A scene in France, with BBV the main gainer, up 52 cents to €14.43. Among other stocks to benefit were Argentaria, up 66 cents to €23.46, Bankinter, up 85 cents to €35.05, and Banco Popular, up €1 to €62.80. BCH went the other way, shedding 16 cents to €11.49.

HELSINKI rose within a whisker of its historic high before easing in late trading, with the Hex index ending 35.26 higher to 6,318.85.

Neptun Maritime was firmly in the limelight, rising 15 per cent before ending 17 cents higher to €2.46 after Sea Containers launched a bid for the ferry operator.

Telecom operators staged a poor performance with Sonera down 34 cents to €14.95, and Helsingin Puhelin down €1.48 to €42.51. Market heavyweight Nokia closed off its highs, adding €1.70 to €133.

Written and edited by Michael Morgan, Bertrand Benoit, Paul Gregan and Nicola Wilson

Jo'burg defies gold sell-off

SOUTH AFRICA

The overall Johannesburg index recorded healthy gains, breaking through 6,500 to close 95.8 or 1.5 per cent higher at 6,505.6.

Turnover was heavy at almost R2.1bn – the second highest this year, just short of the high of January 13.

Financials gained 156.4 or 1.6 per cent to 9,712.0, but golds tumbled 30.8 or 3.2 per cent to 936.1, after Monday's announcement the International Monetary Fund could sell off some gold reserves.

Financial reforms drive Tokyo

ASIA PACIFIC

The Japanese stock market broke through the psychologically important 16,000 level yesterday for the first time since August 4 last year as a new wave of optimism swept Japanese stocks, *writes Gillian Tett in Tokyo.*

The Nikkei 225, the key stock market indicator, closed at 16,072.82, 1.8 per cent up on the day, after moving between 15,591.62 and 16,082.07 during the day.

Topix, the broadest measure of the stock market, rose 2.45 per cent to close at 1,240.89. The Nikkei 300 closed 2.18 per cent higher at 249.33.

Total volume on the stock exchange was 1bn shares, up from the 700bn recorded on Tuesday, and three times the daily level seen during most of 1998. Gainers outpaced losers 1,046 to 195, while 73 issues closed unchanged.

The surge partly reflected new optimism about prospects for the Japanese economy, which has risen following the recent spate of corporate restructuring; the financial sector reforms; and monetary easing by the Bank of Japan.

However, analysts said the markets had been boosted by the recent surge in the yen. Although a stronger currency could hurt exporters in the medium term, in the short term it has left overseas investors concerned that they will lag behind international performance benchmarks if they are underweight in Japan.

Some construction stocks performed particularly well, partly due to reports of impending debt forgiveness programmes and more public construction plans. Aoki closed up by their daily limit of Y30 and Y99, Haseko closed Y30 up at Y103, and Fujita closed Y30 up at Y110.

MANILA ended a five-day losing streak with a gain of 40.50 or 2.1 per cent to 1,981.84 on the composite index as sentiment rallied in the wake of Monday's central bank cut for interest rates. PLDT rose 15 pesos to 980 pesos and Ayala Land added 50 centavos to 11.75 pesos.

BANGKOK fell back to the ground after four days of gains. The SET index shed 5.93 or 1.6 per cent to 354.95 as investors took profits after Friday's adoption of a key bankruptcy bill by the senate.

The sell-off was stronger in bank and financial issues. Krung Thai Bank shed Bt0.50 to Bt17.50 while National Finance retreated Bt0.50 to Bt10. Kiatnakin lost Bt0.50 to Bt11.

JAKARTA was lifted by renewed foreign buying of blue chips on the back of a new letter of intent signed between Indonesia and the International Monetary Fund after the government last weekend announced plans to restructure the ailing banking industry. The composite index closed 7.14 or 1.9 per cent higher at 379.45.

Among the blue chips, dual-listed Telkom was up Rp200 at Rp2,800, partly helped by rises in New York, while cigarette maker Gudang Garam rose Rp350 to Rp11,900.

SEOUL jumped 1.7 per cent as a late bout of foreign demand sent the banking sector spurting 6.7 per cent higher. The composite index closed 9.8 higher at 601.83.

Korea First Bank and Seoulbank rose on rumours they may not enforce earlier plans to dispose of all shares held by minor shareholders. Korea First was up Won375 to Won2,905 and Seoulbank gained Won375 to Won2,875.

The two nationalised banks are due to be sold off to foreign companies and the government has said all the holdings of minor shareholders would be disposed of for free.